

OFFICE OF CITY MANAGER
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MIAMI SPRINGS, FL 33166



City of
MIAMI SPRINGS
Florida

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March 21, 2003

The Honorable Mayor Richard L. Wheeler and
Members of the City Council
Miami Springs, Florida 33166

Dear Mayor Wheeler and City Council Members:

It is with great pleasure that I present to you the Comprehensive Annual Financial Report for the City of Miami Springs for the fiscal year ended September 30, 2002. This document and report are required by Section 11.45, Florida State Statutes, and Chapter 10.550 of the Rules of the Auditor General of the State of Florida, and contain audited financial statements, reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the City of Miami Springs. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included. The City's management is fully responsible, in all material respects, for both the accuracy of the data and the completeness of the presentation, including all disclosures and notes. This report has been prepared in accordance with *Generally Accepted Accounting Principles (GAPP)* and standards delineated by the Government Accounting Standards Board (GASB).

The Comprehensive Annual Financial Report is presented to you in four sections: (1) Introduction; (2) Financial; (3) Statistical; and (4) Compliance. The *Introduction* section includes this transmittal letter, an organization chart as of the end of the fiscal year, and a list of officials holding key positions during the reporting period. The *Financial* section of the document includes the report from the independent certified public accountants. Included in this report are the combined general purpose financial statements, notes to the general purpose financial statements, which highlight the key factors of the transactions, along with individual fund and account group financial statements and supporting schedules. The *Statistical* section of the report includes selected financial and general information presented in a multi-year format for comparative or trend purposes. The Compliance section provides comments prepared, as required by the Auditor General's Office, as well as auditor's schedule of findings with the corresponding management responses.

The Comprehensive Annual Financial Report includes all funds and account groups for which the City is financially responsible. In addition, separate *Financial Statements* were prepared to report on the fiscal position of the pension funds; The General Employees Retirement System and the Police and Firefighters Retirement System. While audited separately, the results of their operations and net value of assets are included in the City's Comprehensive Annual Financial Report for reference. The established criteria for inclusion as a reporting entity is determined on the basis of budgetary or taxing authority and financial interdependency.

FY 2001-2002 Comprehensive Annual Financial Report

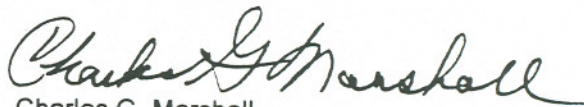
As we proceed with the many issues facing us, the administration is eager to accept the new challenges in front of us. In the spirit of mutual cooperation, we look forward to working together and developing new methodologies of operation to improve the quality of life for our residents and businesses throughout the City.

Respectfully submitted,

THE CITY OF MIAMI SPRINGS



Maria V. Davis
City Manager



Charles G. Marshall
Finance Director

FY 2001-2002 Comprehensive Annual Financial Report

The City provides a full range of services. Operations include police protection, utility services (water and waste water, sanitation, storm water, recreation, senior center, and the golf course. Additionally, capital projects, included under the auspices of the City, include the renovation and rehabilitation of the City's wastewater (sewer) system, funded by the 1998 Miami Springs revenue bond issue. The maintenance of sidewalks, city-owned streets, and right-of-way, and other tangible infrastructure facilities are managed and performed by the City.

FINANCIAL INFORMATION

The City Administration is responsible for establishing and maintaining cohesive internal controls and fundamental regulations designed to ensure that the City's assets are protected from loss, theft or misuse, along with providing systematic and substantive controls to protect the fiscal integrity of the organization. The internal control structure is designed to provide reasonable, but not absolute assurance, that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of the control does not exceed the benefit likely to be derived and (2) the costs and benefits require routing, monitoring and may be subject to occasional modifications by management. As part of the FY 2001-2002 fiscal audit, the organization's independent certified public accountants, Grau & Company, P.A., prepared a report addressing a series of internal control issues. The findings required that actions be taken by the City's management to continue to ensure the organization's fiscal integrity. Along with prior year recommendations, the City's management has taken proactive responses to the auditor's schedule of findings.

Budgetary Controls: The City maintains budgetary controls at a line item level to ensure compliance with legal provisions established in the annual appropriated budget approved and amended by the City and Florida State Statutes Section 200.065. These statutory provisions establish specific procedures to prepare, advertise (notification to the public), implement and amend the City's operating budgets comprised of revenue and expenditure estimates.

The level of control at which expenditures cannot legally exceed the appropriated amounts is established at the department level. The City maintains budgetary controls through an encumbrance-fund accounting system which must be included as authorized line item expenditures identified in the amended operating budgets. Outstanding awards for purchased goods or services are recorded as reservations of fund equities in each fund. The first budget amendment of each subsequent fiscal year reappropriates those reserved balances, authorizing the continuation of the transactions. The City Manager is authorized to transfer budgeted amounts within the department of any fund; however, all budget revisions that modify or adjust the total expenditure of any given department or division must receive authorization and approval by the City Council; correspondingly they are implemented by authorizing a resolution amending the operating budget. For management purposes, monthly budget statements are prepared by the Finance Department and distributed to the City Council and department managers for review and analysis of budget-to-actual results.

GENERAL GOVERNMENT FUNCTIONS

Revenues

General fund revenues and other operating sources including operating transfers amounted to \$9,684,149 for the fiscal year September 30, 2002. This is a 8.3% increase over the total revenues received and reported for FY 2000-2001. The following schedule presents a summary of general fund revenues and other financing sources for the reporting period, their related percentage and the corresponding variance, including the percentage change, as a relationship to last fiscal year.

FY 2001-2002 Comprehensive Annual Financial Report

Total Revenue Sources				
Source	FY 2001-02 Amount	Percent of Total	Increase (Decrease) from FY 00-01	Percent of Increase (Decrease)
Ad Valorem Revenue	4,895,579	50.6	643,353	15.2
Licenses & Permits	411,741	4.3	81,872	24.9
Intergovernmental	1,116,831	11.6	6,258	.6
Charges for Services	252,304	2.6	3,259	3.8
Fines & Forfeitures	236,873	2.5	8,592	3.8
Interest Earnings	37,856	.1	(109,390)	(74.4)
Other Revenues	97,760	.1	(109,390)	(52.8)
Operating Transfer In	2,632,205	28.2	217,408	9.0
Totals	9,681,149	100.0	741,567	8.3

The single source of general fund revenues with the greatest impact on operation is ad valorem (or property) taxes, representing 50.6% of the total general fund operating revenues. Property taxes are based upon assessed values of real, personal and other tangible properties within the jurisdiction of the City of Miami Springs, and are calculated by the Miami-Dade County Property Tax Appraiser. This calculation is used as the foundation to determine the projected general fund revenues from ad valorem tax levies. The final value for FY 2001-2002 for real, personal and other tangible properties was \$644,324,403. This final value compares to \$615,353,829 in FY 2000-2001 representing a \$28,970,574 (4.7%) increase from fiscal year to fiscal year.

Operating Transfers-in represents another significant revenue source having an impact on the general fund. This account represents the general fund's receipt of administrative (or management) fees from four of the City's five enterprise funds (water, wastewater/sewer, sanitation, stormwater, and golf course operations). Together the four enterprise funds contribute \$475,000 to the general fund or approximately 4.9% of total general fund service taxes applied to various utility services provided in the City. These services include electricity, telecommunication services, cable television, gas service and water. Other major revenue sources include fees from the issuance of building permits and occupational licenses, of which the latter (occupational licenses), are billed in September of each year for renewal on October 1st. We find that the proceeds in this category have been constant with no material changes recognized between FY 2000-2001 and FY 2001-2002.

FY 2001-2002 Comprehensive Annual Financial Report

Expenditures

General fund expenditures, including operating transfer-out totaled \$10,769,428 for the fiscal year ended September 30, 2002. The total expenditures include \$1,941,637 one-time write of interfund liabilities. Without this write-off the City would have had an operating surplus of \$853,358.

The total expenditures, net of the write-off of interfund liabilities, reported for this year represent a 7.1% increase over the total amount disbursed in FY 2000-2001. The following schedule presents a summary of expenditures by category for the year. Please note that the expenditures reflected in this chart exclude outstanding encumbrances at the end of the year as those obligations are recorded in the fund's reserved fund balance account.

Total Expenditures				
Source	Amount	Percent of Total	Increase (Decrease) from FY 2000-01	Percent of Increase (Decrease)
General Government	1,366,660	12.7	166,145	13.8
Public Safety	4,184,342	38.9	132,217	3.3
Public Works	1,573,401	14.6	159,549	11.3
Recreation & Culture	977,316	9.1	111,035	12.9
Other Services	2,547,709	23.7	2,110,932	483.3
Operating Trans. Out	120,000	1.0	(271,507)	133.8
Totals	10,769,428	100.0	2,408,371	28.8

General Government represents the total expenditures of the overall administrative functions of the City. Included in this category are the departments of the Mayor and Council, Office of the City Manager, Office of the City Clerk, Human Resources Department, Finance Department, Office of the City Attorney, Planning, Building, Zoning and Code Enforcement Department. The category of *Public Works* represents the five (5) general fund divisions of the department, administration, streets and streetlights, sidewalks, public property maintenance and the building maintenance divisions. *Recreation and Culture* represent the three (3) divisions of recreation and are combined for reporting purposes: recreation (the division representing the administration and general recreation services provided by the City), pool and tennis. *Other Services* records all transactions, which are general in nature and benefit all departments and divisions of the City, including unclassified (or non-departmental) division and bank charge accounts. The category of *Operating Transfer-out* records the general fund's contribution, the Senior Center (special revenue) fund's operation and other contributions to special projects and funds, including the Curtiss Mansion and advances to the hurricane fund awaiting reimbursements from the Federal Emergency Management Agency (FEMA).

FY 2001-2002 Comprehensive Annual Financial Report

Special Revenue Funds - The City has six special revenue funds as of the close of the fiscal year: excise tax fund, local option gas tax fund, senior center operations fund, grant fund, hurricane fund, and the safe neighborhood bond fund. These funds have been established to record proceeds and disbursement for specific sources and whose use is legally restricted.

Excise Tax Funds - This fund is used to account for all receipts related to the levies of the public service taxes (PSTs) and franchise fees. These legally obligated charges are levied on telecommunications services (local and long-distance), electricity, gas, fuel and oil services, local telecommunications tax and private solid waste services. Total revenues recorded for the year are \$2,319,404.

Senior Center Fund - This fund represents the revenues and expenditures related to the day-to-day operations of the Senior Center. This program is funded by the Older Americans Act, Title II and DC & F funds. The Center provides daily hot meals to over 125 participants, along with delivery of meals to homebound residents of the City. Other senior services including health screening, nutritional and education programs, home-shopper programs and other entertainment and educationally designed programs are offered to residents free of charge or for nominal fees.

Grant Fund - This fund reports revenues and expenditures related to City grant awards. Included in this fund are proceeds from the Law Enforcement Block Grant awards and other special planning and rehabilitation awards.

Hurricane Fund - This fund was established to create a set of accounts recording all costs associated with hurricanes and other natural disasters. Eligible reimbursements were submitted to the Federal Emergency Management Agency (FEMA), and those not paid at year-end were recorded as an authorized receivable.

Local Option Gas Tax Fund - This fund records revenues received by the City as part of the countywide charges applied to all petroleum and petroleum related products sold. The City also reports revenues received from Miami Springs property owners, who have received sidewalk improvement services by the City or a City designated contractor. Expenditures are restricted to street, sidewalk, streetlight or other capital improvement projects and may not include direct labor costs incurred to provide these services.

General Fixed Assets - The general fixed assets of the City are those used in the performance of general government functions and exclude the assets of the five enterprise and three internal service funds. In accordance with *Generally Accepted Accounting Principles* for local governments, the City is not required and does not report depreciation on general fixed assets nor does it record the values of capitalized assets such as roads, bridges, curbs, gutters, streets, sidewalks, drainage systems, or other similar assets that are immovable and of value only to the City. Assets are recorded at cost, except donated items, which are recorded at the fair market value of the item at the time of contribution. As of September 30, 2002, the general fixed assets of the City and those specifically identified assets acquired through federal grants or donated revenue amounted to \$7,098,474.

General Long-Term Debt Account Group - The general long-term debt account group is a self-balancing group of accounts established to record the value of liabilities arising from accrued benefits, including but not limited to vacation and sick leave pay, valued at \$366,630 on 9/30/2002. Additionally, the debt obligation for the City's General Obligation (GO bonds, series 1997 and revenue refunding and Improvement Bonds (Revenue), series 1998) are recorded in this group of accounts.

Enterprise Funds - The City's enterprise fund operations include, water, wastewater (sewer), sanitation, stormwater, and golf course operations. Each fund is established to finance and account for the acquisition, operation and maintenance of each respective facility, utility services, and related revenue bond debt obligations. The cost of providing these goods and services on a continuing basis is financed through the collection of charges from various users. The comparative data below reflects the net operating income or loss on corresponding operating revenues:

FY 2001-2002 Comprehensive Annual Financial Report

Enterprise Fund Operations				
Operating Revenues			Net Income (Loss)	
Fund	FY 2000-01	FY 2001-02	FY 2000-01	FY 2001-02
Water	1,244,847	1,198,716	(29,881)	(232,575)
Wastewater	3,494,878	3,569,715	(503,600)	1,234,614
Sanitation	1,525,108	1,542,331	(58,243)	(101,845)
Stormwater	263,754	655,805	32,832	471,249
Golf Course	1,468,442	1,772,692	(466,159)	(649,755)
'98 Utility Bonds	444	0	101,996	(254,753)
Memo Totals	7,997,483	8,739,259	(923,055)	483,198

Debt Administration - The City's outstanding long-term debt obligations consist of two tax-exempt bond instruments: the General Obligation Bond, series 1997 and the Revenue Refunding and Improvement Bonds, series 1998 (refunding the previously recorded utility Revenue Bond, series 1994). The face value for each bond on September 30, 2001 was \$4,345,000 and \$9,825,000 for the General Obligation Revenue Refunding and Improvement Bonds respectively.

FIDUCIARY OPERATIONS

Pension Trust Funds - The City administers two independent retirement systems: The Miami Springs General Employees Retirement System and the Miami Springs Police and Firefighters Retirement System. Both are independently audited, but for reporting purposes, they are incorporated into the City's Comprehensive Annual Financial Report for information purposes.

RISK AND LIABILITY MANAGEMENT

Incorporated as an integrated function in the City's Finance Department is risk management, which includes the management and oversight of all City liability coverage, Workers' Compensation fees, health related benefits for the City's employees, dependents and participating retirees. As internal service funds, revenues to support such funds' obligations are derived from transfers-in from other City funds, departments and divisions based upon an allocation schedule calculated by the administration.

Liability Insurance Internal Service Fund - This fund accounts for premiums, administrative costs and other processing fees that include payments for comprehensive and general liability, bonding, riders, automobile premiums, property and casualty coverage and Workers' Compensation premiums. Total contributions into the fund were \$554,668.

FY 2001-2002 Comprehensive Annual Financial Report

CASH MANAGEMENT AND TREASURY

The City of Miami Springs is fully charged with the security of the City funds and assets with the goal of maximizing return on surplus or idle cash. Cash management policies are clearly identified in the adopted budget documents along with regulations defined by State of Florida Statutes. The City's primary investment instruments are overnight repurchase and reverse repurchase agreements, certificates of deposit, treasury notes, state board of administration (SBA) funds, commercial paper and bankers acceptance notes. The principal focus of cash management is to ensure the safety of the City's cash while maximizing our return on each investment. No investment is made for any commitment period exceeding six months.

ECONOMIC CONDITION AND OUTLOOK

The City of Miami Springs is located in Southeast Florida, Miami-Dade County, immediately north and bordering the Miami International Airport. The City, primarily residential in nature, is 2.8 square miles with approximately 14,000 full-time residents. The southern-most area of the City, located along the 36th Street business corridor, is commercial in nature with hotels, restaurants and office complexes. These facilities primarily service the airport and support industries related to the facility and its employees.

The repair phase of the sewer system renovation program is on-going. These repairs will reduce the operating deficit and help fund the renewal and replacement programs of the system and help pay the principal and interest on the bond debt.

The City recognizes the importance of increasing its commercial tax base for future economic health and to reduce the tax burden on the residents. The City has aggressively pursued various avenues of economic development and revitalization by hiring various consultants to perform economic feasibility studies for the annexation of areas west and south of the City, as well a study for the NW 36 Street corridor.

OTHER INFORMATION

Independent Audit - The State of Florida Statutes require that annual audits of the City's financial statements, accounts and records be performed by external auditors. The City continues to use the services of the certified public accounting firm of Grau & Company, P.A., without whom this report could not have been completed. Their attention to detail and accuracy related to the information contained in this report affirms the professional standards to which the firm adheres and demonstrates to the clients and the individuals reading this report. In addition to meeting the specified state requirements, this audit was prepared and presented with the requirements set forth in OMB Circular A-133 and Auditing Standards generally accepted in the United States.

Acknowledgement - The preparation of the Comprehensive Annual Financial Report demonstrates the professional commitment of the Finance Director and his staff to ensure that accurate information is provided to the City Council, administration and investors. We also want to thank the auditing team from Grau & Company, P.A. for the many hours and assistance provided to the City during the preparation of this report. As a result of the City's new growth and redevelopment programs throughout the City, the annual report requires considerably more analysis and compilation of data. Without the help of a qualified auditing firm, the information produced would lack credibility. This report, however, reflects the changes that have developed during the year.

CITY OF MIAMI SPRINGS, FLORIDA

CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING

SEPTEMBER 30, 2001

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Miami Springs,
Florida

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2001

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

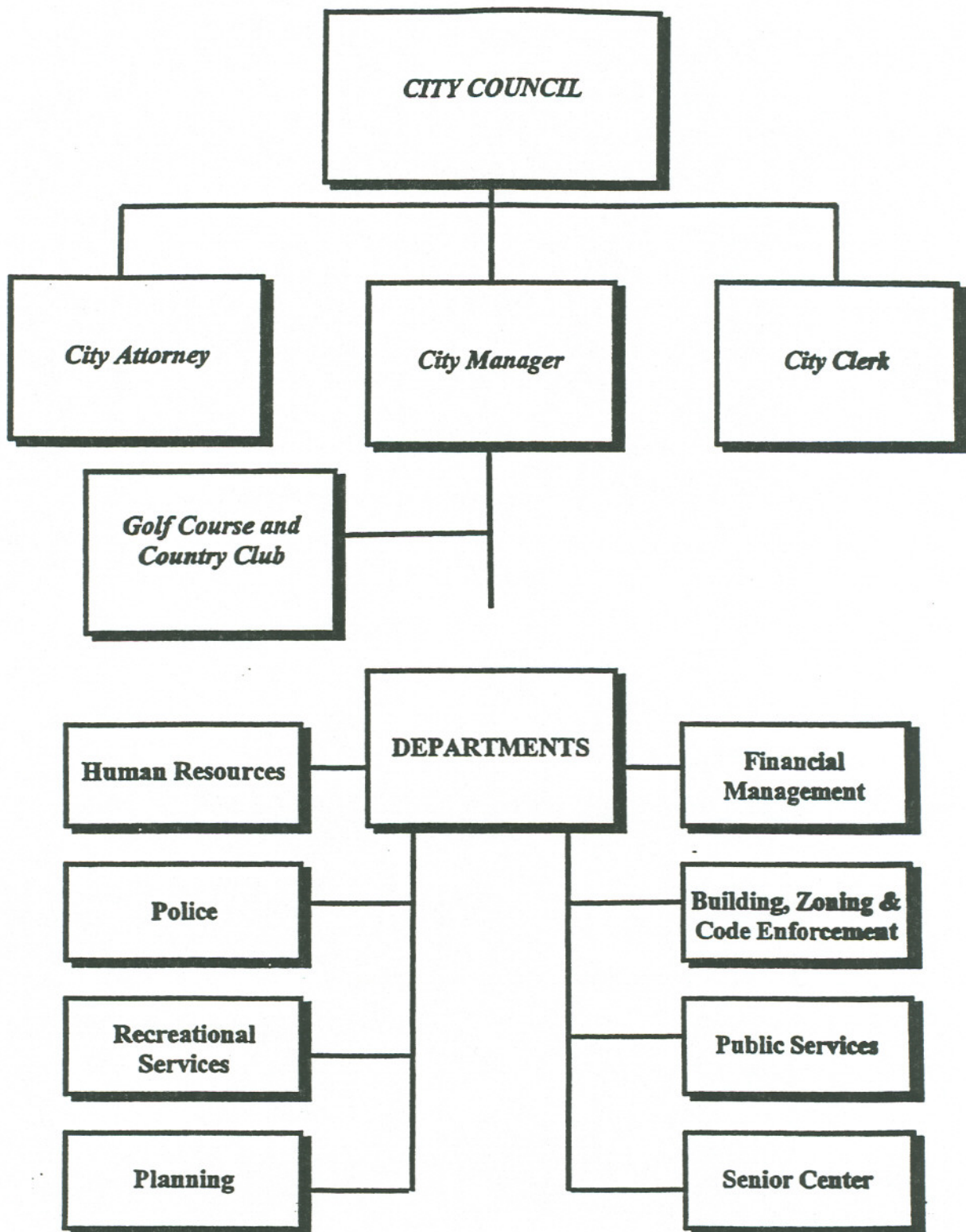


President

Executive Director

CITY OF MIAMI SPRINGS, FLORIDA

ORGANIZATION CHART



City Of Miami Springs, Florida
Council-Manager Form of Government

SEPTEMBER 30, 2002

CITY COUNCIL

Mayor
Vice – Mayor
Council Member
Council Member
Council Member

Richard Wheeler
James G. Caudle
Helen Gannon
Marsha H. Fulton
Rob Youngs

ADMINISTRATION

City Manager
Assistant City Manager
Finance Director
City Attorney
City Clerk
City Planner
Police Chief
Personnel Director
Chief Building Official
Public Works Director
Social Services Director
Recreation Director

Maria V. Davis
Michael V. Sprovero
Charles G. Marshall
Jan K. Seiden, Esq.
Magali Valls
Richard Ventura
Randall Dilling
Loretta M. Boucher
Michael V. Sprovero
Denise Yoezle
Karen Rosson
Alan Ricke

**REPORT OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS**

INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Members of the City Council
City of Miami Springs, Florida

We have audited the accompanying general-purpose financial statements of the City of Miami Springs, Florida (the "City"), as of and for the fiscal year ended September 30, 2002, as listed in the table of contents. These general-purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit. We did not audit the financial statements of the General Employees Retirement Trust Fund or the Police and Firefighters Retirement Trust Fund which Combined Statements represent approximately 94% of the total assets of the fiduciary funds as of September 30, 2002 and approximately 90% of the total revenues and deductions of the fiduciary funds for the fiscal year ended September 30, 2002. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion on the general purpose financial statements, insofar as it relates to the amounts included for the General Employees Retirement Trust Fund and the Police and Firefighters Retirement Trust Fund, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general-purpose financial statement presentation. We believe that our audit and the report of the other auditor provide a reasonable basis for our opinion.

In our opinion, based on our audit and the report of other auditors, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Miami Springs, Florida, as of September 30, 2002, and the results of its operations and the cash flows of its proprietary fund types and non-expendable trust fund for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2003, on our consideration of the City's internal control over financial reporting and our tests of its compliance with laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Honorable Mayor and Members of the City Council
City of Miami Springs, Florida

Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements taken as a whole. The accompanying schedule of expenditures of federal and state financial assistance is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general-purpose financial statements of the City of Miami Springs, Florida. The combining and individual fund and account group financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general-purpose financial statements of the City of Miami Springs, Florida. Such information (other than the pension trust funds, whose financial statements were audited by other auditors and whose report expresses an unqualified opinion) has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated in all material respects, in relation to the general-purpose financial statements taken as a whole.

The information in the introductory and statistical section listed in the table of contents has not been subjected to the auditing procedures applied in the audit of the general purpose financial statements and accordingly, we express no opinion thereon. In addition, the required supplementary information on page 32 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board ("GASB"). We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods and measurement of presentation on the required supplementary information. However, we did not audit and do not express and opinion on it.

Grau & Company

February 28, 2003

GENERAL PURPOSE FINANCIAL STATEMENTS

(Combined Statements - Overview)

The financial statements in this section provide an overview and broad perspective of the financial position and results of operations of the City at the fund type and account group level. They serve as an introduction to individual statements and schedules that follow in subsequent sections.

CITY OF MIAMI SPRINGS, FLORIDA

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS

SEPTEMBER 30, 2002

ASSETS AND OTHER DEBITS	Governmental Fund Types				Proprietary Fund Types		Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Debt	
Cash and Cash Equivalents	\$ 140,323	\$ 1,125,975	\$ -	\$ -	\$ 936,173	\$ 44,557	\$ 1,126,343	\$ -	\$ -	\$ 3,373,371
Investments	87,367	-	-	-	388,140	-	28,055,245	-	-	28,530,752
Receivables:										
Accounts	146,017	331,793	-	-	617,971	919	-	-	-	1,096,700
Accrued Interest and dividends	-	-	-	-	-	-	240,864	-	-	240,864
Other	-	-	-	-	354,794	-	1,407	-	-	356,201
Due from other funds	379,629	-	-	-	16,053	-	-	-	-	395,682
Inventories	77,860	-	-	-	60,232	37,210	-	-	-	175,302
Advances to other funds	2,090,454	-	-	-	-	-	-	-	-	2,090,454
Restricted Assets:										
Cash and Cash Equivalents	-	-	171,636	-	-	-	-	-	-	171,636
Deferred Charges	53,563	-	-	-	-	61,670	-	-	-	115,233
Other Assets	-	-	-	-	1,500	-	1,000	-	-	2,500
Fixed assets, net	-	-	-	-	16,241,443	785,327	-	7,098,474	-	24,125,244
Amount Available in Debt Service Fund	-	-	-	-	-	-	-	-	171,636	171,636
Amount to be provided for retirement for general long-term debt	-	-	-	-	-	-	-	-	4,173,364	4,173,364
Amount to be provided for payment for accrued vacation and sick pay benefits	-	-	-	-	-	-	-	-	366,630	366,630
Total assets and other debits	<u>\$ 2,975,213</u>	<u>\$ 1,457,768</u>	<u>\$ 171,636</u>	<u>\$ -</u>	<u>\$ 18,616,306</u>	<u>\$ 929,683</u>	<u>\$ 29,424,859</u>	<u>\$ 7,098,474</u>	<u>\$ 4,711,630</u>	<u>\$ 65,385,569</u>

The accompanying notes are an integral part of the general purpose financial statements.

CITY OF MIAMI SPRINGS, FLORIDA

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS

SEPTEMBER 30, 2002

LIABILITIES, EQUITY AND OTHER CREDITS	Governmental Fund Types				Proprietary Fund Types		Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Pension Trust Funds	General Fixed Assets	General Long-Term Debt	
Liabilities:										
Accounts payable	\$ 112,780	\$ 15,734	\$ -	\$ -	\$ 1,328,875	\$ 421,815	\$ 17,773	\$ -	\$ -	\$ 1,896,977
Accrued Liabilities	264,117	13,804	-	-	121,327	13,081	-	-	-	412,329
Obligations under capital lease - current	-	-	-	-	117,837	-	-	-	-	117,837
Accrued Vacation and sick pay benefits - current	477,514	-	-	-	79,095	-	-	-	-	556,609
Due to other funds	-	393,083	-	-	-	-	2,599	-	-	395,682
Deferred revenues	44,584	-	-	-	33,053	-	-	-	-	77,637
Advances from other funds	-	-	-	-	2,090,454	-	-	-	-	2,090,454
Payable from restricted assets:										
Current portion of bonds payable	-	-	-	-	350,000	-	-	-	-	350,000
Other liabilities	-	-	-	-	4,685	-	254	-	-	4,939
Customer deposits	-	-	-	-	378,664	-	-	-	-	378,664
Obligations under capital lease - long-term	-	-	-	-	356,500	-	-	-	-	356,500
Revenue bonds payable	-	-	-	-	9,400,509	-	-	-	-	9,400,509
General obligation bonds	-	-	-	-	-	-	-	-	4,345,000	4,345,000
Accrued Vacation and sick pay benefits - long term	-	-	-	-	71,002	-	-	-	366,630	437,632
Total liabilities	898,995	422,621	-	-	14,332,001	434,896	20,626	-	4,711,630	20,820,769
Equity and other credits:										
Contributed capital	-	-	-	-	4,287,135	-	-	-	-	4,287,135
Investment in general fixed assets	-	-	-	-	-	-	-	7,098,474	-	7,098,474
Retained earnings (deficit):										
Unreserved (deficit)	-	-	-	-	(2,830)	494,787	-	-	-	491,957
Fund balances:										
Reserved for advances	2,090,454	-	-	-	-	-	-	-	-	2,090,454
Reserved for encumbrances	154,517	146,774	-	-	-	-	29,606	-	-	330,897
Reserved for deferred charges	53,563	-	-	-	-	-	-	-	-	53,563
Reserved for inventories	77,860	-	-	-	-	-	-	-	-	77,860
Reserved for employees pension benefits	-	-	-	-	-	-	27,622,489	-	-	27,622,489
Reserved for debt service	-	-	171,636	-	-	-	-	-	-	171,636
Unreserved (deficit)	(300,176)	888,373	-	-	-	-	1,752,138	-	-	2,340,335
Total equity and other credits	2,076,218	1,035,147	171,636	-	4,284,305	494,787	29,404,233	7,098,474	-	44,564,800
Total liabilities, equity and other credits	\$ 2,975,213	\$ 1,457,768	\$ 171,636	\$ -	\$ 18,616,306	\$ 929,683	\$ 29,424,859	\$ 7,098,474	\$ 4,711,630	\$ 65,385,569

The accompanying notes are an integral part of the general purpose financial statements.

CITY OF MIAMI SPRINGS, FLORIDA

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2002

	Governmental Fund Types				Fiduciary Fund Types	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trusts	
Revenues:						
Taxes	\$ 4,895,579	\$ 2,743,306	\$ 410,603	\$ -	\$ -	\$ 8,049,488
Licenses and permits	414,845	-	-	-	-	414,845
Intergovernmental	1,116,831	580,436	-	-	-	1,697,267
Charges for services	269,213	34,768	-	-	-	303,981
Fines and forfeitures	236,873	-	-	-	130,239	367,112
Interest	37,856	-	-	-	-	37,856
Miscellaneous	79,718	-	-	4,284	-	84,002
Total revenues	<u>7,050,915</u>	<u>3,358,510</u>	<u>410,603</u>	<u>4,284</u>	<u>130,239</u>	<u>10,954,551</u>
Expenditures:						
Current:						
General government	1,366,659	1,256,689	8,350	-	-	2,631,698
Public safety	4,184,342	-	-	-	-	4,184,342
Public works	1,573,400	-	-	-	-	1,573,400
Recreation and culture	977,316	-	-	-	-	977,316
Non-departmental	549,427	-	-	-	-	549,427
Education and training	-	-	-	-	127,579	127,579
Capital outlay	56,583	-	-	-	113,929	170,512
Debt service:						
Principal	-	-	175,000	-	-	175,000
Interest	-	-	221,295	-	-	221,295
Total expenditures	<u>8,707,727</u>	<u>1,256,689</u>	<u>404,645</u>	<u>-</u>	<u>241,508</u>	<u>10,610,569</u>
Excess (deficiency) of revenues over expenditures	<u>(1,656,812)</u>	<u>2,101,821</u>	<u>5,958</u>	<u>4,284</u>	<u>(111,269)</u>	<u>343,982</u>
Other financing sources (uses):						
Operating transfers in-charges against interfund liabilities		402,113				402,113
Operating transfers out-charges against interfund receivables	(1,941,637)					(1,941,637)
Operating transfers in	2,632,205	120,000	-	-	-	2,752,205
Operating transfers out	(120,000)	(2,207,207)	-	-	-	(2,327,207)
Total other financial sources (uses)	<u>570,568</u>	<u>(1,685,094)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,114,526)</u>
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	<u>(1,086,244)</u>	<u>416,727</u>	<u>5,958</u>	<u>4,284</u>	<u>(111,269)</u>	<u>(770,544)</u>
Fund balances, beginning	3,371,246	324,378	165,678	64,371	1,893,015	5,818,688
Prior period adjustments	(277,439)	294,042	-	-	-	16,603
Fund balances, beginning as restated	<u>3,093,807</u>	<u>618,420</u>	<u>165,678</u>	<u>64,371</u>	<u>1,893,015</u>	<u>5,835,291</u>
Residual equity transfers in	68,655	-	-	-	-	68,655
Residual equity transfers out	-	-	-	(68,655)	-	(68,655)
Fund balances, ending	<u>\$ 2,076,218</u>	<u>\$ 1,035,147</u>	<u>\$ 171,636</u>	<u>\$ -</u>	<u>\$ 1,781,746</u>	<u>\$ 5,064,747</u>

The accompanying notes are an integral part of the general purpose financial statements.

CITY OF MIAMI SPRINGS, FLORIDA

COMBINED STATEMENT OF REVENUES AND EXPENDITURES AND CHANGES IN FUND BALANCES BUDGET AND ACTUAL-ALL BUDGETED GOVERNMENTAL FUND TYPES

FISCAL YEAR ENDED SEPTEMBER 30, 2002

	General Fund			Special Revenue Funds			Debt Service Fund		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:									
Ad valorem taxes	\$ 4,768,838	\$ 4,895,579	\$ 126,741	\$ 2,180,991	\$ 2,743,306	\$ 562,315	\$ 396,295	\$ 410,603	\$ 14,308
Licenses and permits	344,315	414,845	70,530	-	-	-	-	-	-
Intergovernmental	1,127,900	1,116,831	(11,069)	154,474	120,037	(34,437)	-	-	-
Charges for services	222,400	269,213	46,813	-	34,768	34,768	-	-	-
Fines and forfeitures	193,000	236,873	43,873	-	-	-	-	-	-
Interest	162,200	37,856	(124,344)	-	-	-	-	-	-
Miscellaneous	57,850	79,718	21,868	-	-	-	-	-	-
Total revenues	<u>6,876,503</u>	<u>7,050,915</u>	<u>174,412</u>	<u>2,335,465</u>	<u>2,898,111</u>	<u>562,646</u>	<u>396,295</u>	<u>410,603</u>	<u>14,308</u>
Expenditures:									
Current:									
General government	1,342,222	1,366,659	(24,437)	-	-	-	-	8,350	(8,350)
Public safety	4,517,109	4,184,342	332,767	-	-	-	-	-	-
Public works	1,634,285	1,573,400	60,885	-	-	-	-	-	-
Recreation and culture	1,142,609	977,316	165,293	-	-	-	-	-	-
Non-departmental	720,027	549,427	170,600	801,642	616,000	185,642	-	-	-
Capital outlay	120,747	56,583	64,164	-	-	-	-	-	-
Debt service:									
Principal	-	-	-	-	-	-	175,000	175,000	-
Interest	-	-	-	-	-	-	221,295	221,295	-
Total expenditures	<u>9,476,999</u>	<u>8,707,727</u>	<u>769,272</u>	<u>801,642</u>	<u>616,000</u>	<u>185,642</u>	<u>396,295</u>	<u>404,645</u>	<u>(8,350)</u>
Excess (deficiency) of revenues over expenditures	<u>(2,600,496)</u>	<u>(1,656,812)</u>	<u>943,684</u>	<u>1,533,823</u>	<u>2,282,111</u>	<u>748,288</u>	<u>-</u>	<u>5,958</u>	<u>5,958</u>
Other financing sources (uses):									
Operating transfers out-charges against interfund receivables	-	(1,941,637)	(1,941,637)	-	-	-	-	-	-
Operating transfers in	2,175,000	2,632,205	457,205	166,177	120,000	(46,177)	-	-	-
Operating transfers out	(120,000)	(120,000)	-	(1,700,000)	(2,207,207)	(507,207)	-	-	-
Appropriation of prior year fund balance	545,496	-	(545,496)	-	-	-	-	-	-
Total other financing sources (uses)	<u>2,600,496</u>	<u>570,568</u>	<u>(2,029,928)</u>	<u>(1,533,823)</u>	<u>(2,087,207)</u>	<u>(553,384)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	<u>\$ -</u>	<u>\$ (1,086,244)</u>	<u>\$ (1,086,244)</u>	<u>\$ -</u>	<u>\$ 194,904</u>	<u>\$ 194,904</u>	<u>\$ -</u>	<u>\$ 5,958</u>	<u>\$ 5,958</u>
Fund balances, beginning		3,371,246			324,378			165,678	
Prior period adjustments		(277,439)			25,405			-	
Fund balances, beginning (restated)		<u>3,093,807</u>			<u>349,783</u>			<u>165,678</u>	
Residual equity transfers in		68,655			-			-	
Residual equity transfers out		-			-			-	
Fund balances, ending		<u>\$ 2,076,218</u>			<u>\$ 544,687</u>			<u>\$ 171,636</u>	

The accompanying notes are an integral part of the general purpose financial statements.

CITY OF MIAMI SPRINGS, FLORIDA

COMBINED STATEMENT OF REVENUES AND EXPENSES AND CHANGES IN RETAINED EARNINGS (DEFICIT)-ALL PROPRIETY FUND TYPES

FISCAL YEAR ENDED SEPTEMBER 30, 2002

	Propriety Fund Types		Totals
	Enterprise	Internal Service	(Memorandum Only)
Operating revenues:			
Charges for services	\$ 8,364,259	\$ 1,356,160	\$ 9,720,419
Miscellaneous	-	29,540	29,540
Total operating revenues	<u>8,364,259</u>	<u>1,385,700</u>	<u>9,749,959</u>
Operating expenses:			
Personnel	2,234,710	195,760	2,430,470
Operating	2,086,892	958,229	3,045,121
Water and disposal costs	3,278,907	-	3,278,907
Depreciation and amortization	<u>952,176</u>	<u>167,042</u>	<u>1,119,218</u>
Total operating expenses	<u>8,552,685</u>	<u>1,321,031</u>	<u>9,873,716</u>
Operating income (loss)	<u>(188,426)</u>	<u>64,669</u>	<u>(123,757)</u>
Non-operating revenues (expenses):			
Grant revenue	375,000		375,000
Interest income	11,989	-	11,989
Interest expense	<u>(500,453)</u>	<u>-</u>	<u>(500,453)</u>
Total non-operating expenses	<u>(113,464)</u>	<u>-</u>	<u>(113,464)</u>
Income before operating transfers	<u>(301,890)</u>	<u>64,669</u>	<u>(237,221)</u>
Transfers from other funds:			
Operating transfers in-charges against interfund liabilities	1,337,919	433,530	1,771,449
Operating transfers out-charges against interfund receivables	<u>(127,834)</u>	<u>(111,092)</u>	<u>(238,926)</u>
Operating transfers in	14,268	-	14,268
Operating transfers out	<u>(439,263)</u>	<u>-</u>	<u>(439,263)</u>
Operating transfers, net	<u>785,090</u>	<u>322,438</u>	<u>1,107,528</u>
Net income	483,200	387,107	870,307
Retained earnings (deficit), beginning	(201,361)	502,707	301,346
Prior period adjustments	<u>(284,669)</u>	<u>(395,027)</u>	<u>(679,696)</u>
Retained earnings (deficit), beginning as restated	(486,030)	107,680	(378,350)
Retained earnings (deficit), ending	<u>\$ (2,830)</u>	<u>\$ 494,787</u>	<u>\$ 491,957</u>

The accompanying notes are an integral part of the general purpose financial statements.

CITY OF MIAMI SPRINGS, FLORIDA

COMBINED STATEMENT OF CASH FLOWS ALL PROPRIETARY FUND TYPES

FISCAL YEAR ENDED SEPTEMBER 30, 2002

	Proprietary Fund Types		Totals
	Enterprise	Internal Service	(Memorandum Only)
Cash flows from operating activities:			
Operating income (loss)	\$ (188,426)	\$ 64,669	\$ (123,757)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation and amortization	952,176	167,042	1,119,218
Changes in operating assets and liabilities:			
Increase (decrease) in:			
Accounts receivable	(164,796)	4,618	(160,178)
Deferred charges	58,653	2,383	61,036
Due from other funds	278,597	(9,900)	268,697
Inventories	72,262	25,778	98,040
Other	(1,500)	-	(1,500)
Increase (decrease) in:			
Accounts payable	101,243	31,014	132,257
Accrued liabilities	85,369	(10,797)	74,572
Due to other funds	692,126	174,493	866,619
Deferred revenues	33,053	-	33,053
Customer deposits	33,658	-	33,658
Other	(57,155)	-	(57,155)
Net cash provided by operating activities	<u>1,895,260</u>	<u>449,300</u>	<u>2,344,560</u>
Cash flows from non-capital financing activities:			
Operating transfers in	(185,727)	-	(185,727)
Operating transfers out	(239,270)	-	(239,270)
Grants received	375,000	-	375,000
Net cash provided by non-capital financing activities	<u>(49,997)</u>	<u>-</u>	<u>(49,997)</u>
Cash flows from capital and related financing activities:			
Capital expenditures	(957,249)	(406,625)	(1,363,874)
Principal payments on long-term debt	(335,000)	-	(335,000)
Interest paid	(499,778)	-	(499,778)
Net cash used in capital and related financing activities	<u>(1,792,027)</u>	<u>(406,625)</u>	<u>(2,198,652)</u>
Cash flows from investing activities:			
Interest received	11,321	-	11,321
Net cash provided by investing activities	<u>11,321</u>	<u>-</u>	<u>11,321</u>
Increase in cash and cash equivalents	64,557	42,675	107,232
Cash and cash equivalents, beginning (including restricted cash and cash equivalents of \$824,536)	1,259,757	1,882	1,261,639
Cash and cash equivalents, ending (including investments of \$388,140)	<u>\$ 1,324,314</u>	<u>\$ 44,557</u>	<u>\$ 1,368,871</u>
NONCASH NON-CAPITAL FINANCING ACTIVITIES			
Operating transfers in-charges against interfund liabilities	\$ 1,649,781	\$ 468,807	\$ 2,118,588
Operating transfers out-charges against interfund receivables	(439,696)	(146,369)	(586,065)
Proceeds from capital leases	<u>478,722</u>	<u>-</u>	<u>478,722</u>
Net noncash non-capital financing activities	<u>\$ 1,688,807</u>	<u>\$ 322,438</u>	<u>\$ 2,011,245</u>

The accompanying notes are an integral part of the general purpose financial statements.

CITY OF MIAMI SPRINGS, FLORIDA

COMBINED STATEMENT OF CHANGES IN PLAN NET ASSETS PENSION TRUST FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2002

ADDITIONS

Contributions:

Employer	\$ 1,872
Employee	185,086
State	<u>53,499</u>
Total contributions	<u>240,457</u>

Investment loss:

Investment losses	(1,201,470)
Less investment expenses	<u>160,802</u>
Net loss	<u>(1,362,272)</u>
Total reductions	<u>(1,121,815)</u>

DEDUCTIONS

Benefit payments	893,706
Refunds	943,718
Administrative expenses	<u>111,129</u>
Total deductions	<u>1,948,553</u>

Net decrease (3,070,368)

Net assets held in trust for pension benefits:

Beginning of year	<u>30,692,857</u>
End of year	<u>\$ 27,622,489</u>

The accompanying notes are an integral part of the general purpose financial statements.

**NOTES TO GENERAL PURPOSE
FINANCIAL STATEMENTS**

**CITY OF MIAMI SPRINGS, FLORIDA
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2002**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Miami Springs, Florida (the "City") is a political subdivision of the State of Florida located in Miami-Dade County. The City operates under a Council-Manager form of government. The City Council is governed by the City Charter and by state and local laws and regulations. The City Council is responsible for the establishment and adoption of policy. The execution of such policy is the responsibility of the Council-appointed City Manager. The City provides public safety, general government, recreation and public works services to its residents. The City does not provide educational, fire or hospital facilities. Those services are provided by the Miami-Dade County School Board and Miami-Dade County, respectively.

The accompanying general-purpose financial statements present the combined financial position and results of operations of the various fund types and account groups and the cash flows of the proprietary fund types for all funds of the City.

The accounting policies of the City conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant policies.

A. Financial Reporting Entity

The financial statements of the City have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") as applied to government units. The financial reporting entity consists of the City as the primary government, which includes all funds, account groups, agencies and departments, and those component units for which the City is financially accountable. The City is financially accountable if it appoints a voting majority of an organization's governing body and it is able to impose its will on that organization, or if there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the City. The City may also be financially accountable if an organization is fiscally dependent on the City regardless of whether the organization has a separately elected governing board, a governing board appointed by another government, or a jointly appointed board. In addition, component units can be other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Based upon the application of these criteria, there were no organizations that met the criteria described above.

B. Measurement Focus, Basis of Accounting and Basis of Presentation

The accounts of the City are organized and operated on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. Account groups are a reporting device to account for certain assets and liabilities of the governmental funds not recorded directly in those funds.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

The operations of the City are recorded in the following fund types and account groups.

Governmental funds are used to account for the City's general government activities. Governmental fund types use the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise fees and utility taxes, licenses, interest and special assessments associated with the current fiscal period are all considered susceptible to accrual and so have been recognized as revenues of the current period. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. All other revenue items are considered to be measurable and available only when cash is received by the government.

Governmental funds include the following types:

The **general fund** is the City's primary operating fund. It accounts for all financial resources of the City, except those required to be accounted for in another fund. Resources are derived primarily from property and utility taxes and intergovernmental revenues. Expenditures are incurred to provide general government, public safety, public works, and recreation services.

The **special revenue funds** are used to account for revenues from specific taxes or other revenue sources that are designated to finance particular functions or activities in accordance with administrative requirements. The City has six special revenue funds: the Excise Tax Fund, Local Option Gas Tax Fund, Senior Center Fund, Grants Fund, Safe Neighborhoods Park Bond Fund and Hurricane Fund.

The **debt service fund** accounts for the servicing of general long-term debt not being financed by proprietary funds. The City maintains one debt service fund.

The **capital projects fund** accounts for the acquisition of fixed assets or construction of major capital projects not being financed by proprietary or nonexpendable trust funds.

Proprietary Fund Types

Proprietary funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The City elected to follow all GASB pronouncements, and all FASB pronouncements issued on or before November 30, 1989 except for those that are contradicted by a GASB pronouncement.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

B. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

Proprietary Fund Types (Continued)

Proprietary funds include the following types:

The *enterprise funds* are used to account for operations financed and operated in a manner similar to private business enterprises where the intent of the governing body is for user charges to cover the costs of providing the services. The City has six enterprise funds: the Water Fund, Sewer Fund, Sanitation Fund, Stormwater Fund, Golf Course Fund and 1998 Utility Refunding Bond Fund.

The *internal service funds* are used to account for the financing of goods or services provided by one department to other departments of the City, on a cost reimbursement basis. The City has three internal service funds: the Fleet Maintenance Fund, Computers and Telecommunications Fund and Liability Insurance Fund.

Fiduciary Fund Type

Fiduciary funds account for assets held by the City in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the City under the terms of a formal trust agreement. Fiduciary funds include the following:

The *expendable trust fund* is accounted for in essentially the same manner as the governmental fund types, using the same measurement focus and basis of accounting. Expendable trust funds account for assets where both the principal and interest may be spent. The City has four expendable trust funds: the Criminal Justice Trust, Law Enforcement Trust, Miami Springs Recreation Trust and Police Trust.

The *pension trust funds* are accounted for in essentially the same manner as proprietary funds, using the same measurement focus and basis of accounting. The City has the following pension trust funds: General Employees and the Police and Firefighters Retirement Plans.

Agency funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. This fund is used to account for assets that the City holds for others in an agency capacity. The City has one agency fund: the General Agency Fund.

Account groups. The *general fixed assets account group* is used to account for fixed assets not accounted for in proprietary or trust funds. The *general long-term debt account group* is used to account for general long-term debt and certain liabilities that are not specific liabilities of proprietary or trust funds.

C. Deposits and Investments

The City maintains a pooled cash account for all funds except the pension trust funds. This enables the City to invest large amounts of idle cash for short periods of time and to optimize earnings potential. Cash and investments held in the City's pension trust funds are managed by trustees. Such amounts are reported separately on the Combined Balance Sheet - All Fund Types and Account Groups.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Deposits and Investments (Continued)

The City's investments are reported at fair value. The City's investment in the State Board of Administration Investment Pool (2A-7 pool) is reported at its fair value of its position in the pool, which is the same as its value of the pool shares.

D. Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year and are collectible within a year are reported as "Due to/from other funds."

Advances between funds, as reported in the general purpose financial statements, are offset by a fund balance reserve account in the applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

Operating revenues in the Water and Sewer Enterprise Funds are generally recognized on the basis of cycle billings rendered monthly. Revenues for services delivered during the last month of the fiscal year that have not been read by September 30 are accrued based on meter readings for the applicable consumption period and billed in October.

Revenues and the associated receivable balances are accrued for taxes, franchise fees, and other utility services based on collections within 60 days of year-end.

E. Property Taxes

Property values are assessed as of January 1 of each year, at which time taxes become an enforceable lien on property. Tax bills are mailed for the City by Miami Dade County on or about October 1 of each year and are payable with discounts of up to 4% offered for early payment. Taxes become delinquent on April 1 of the year following the year of assessment and State law provides for enforcement of collection of property taxes by seizure of the personal property or by the sale of interest-bearing tax certificates to satisfy unpaid property taxes.

Assessed values are established by the Miami Dade County Property Appraiser. In November 1992, a Florida constitutional amendment was approved by the voters, which provides for limiting the increases in homestead property valuations for ad valorem tax purposes to a maximum of 3% annually and also provides for reassessment of market values upon changes in ownership. The County bills and collects all property taxes and remits them to the City.

State statutes permit municipalities to levy property taxes at a rate of up to 10 mills (\$10 per \$1,000 of assessed taxable valuation). The tax levy of the City is established by the City Council and the Miami Dade County Property Appraiser incorporates the City's millage into the total tax levy, which includes the County and the County School Board tax requirements. The millage rate assessed by the City for the year ended September 30, 2002 was 7.75 mills (\$7.75 per \$1,000 of taxable assessed valuation). In addition, for the year ended September 30, 2002, the City assessed a debt service levy millage rate of .662 (\$0.662 per \$1,000 of taxable assessed valuation).

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

F. Inventories and Prepaid Costs

Inventories are valued at cost using the first-in, first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased (consumption method). Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid costs.

G. Restricted Assets

Certain assets of the debt service fund have been classified as restricted because their use is completely restricted by a bond indenture agreement for the City's debt service requirements.

H. Fixed Assets

Fixed assets used in governmental fund types are recorded in the general fixed assets account group at cost or estimated historical cost if purchased or constructed. Donated fixed assets are recorded at their estimated fair value at the date of donation. Assets in the general fixed assets account group are not depreciated. Interest incurred during construction is not capitalized on general fixed assets. Public domain (infrastructure) general fixed assets e.g., roads, bridges, sidewalks and other assets that are immovable and of value only to the City are not capitalized. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not included in the general fixed assets account group or capitalized in the proprietary funds.

Property, plant and equipment in the proprietary funds are recorded at cost. Property, plant and equipment donated to the proprietary fund type operations are recorded at their estimated fair value at the date of donation.

Major outlays for capital assets and improvements are capitalized in proprietary funds as projects are constructed. Interest incurred during the construction phase of proprietary fund fixed assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

Property, plant and equipment are depreciated in the proprietary funds of the City using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Utility plant and systems	50
Golf course building and improvement	20-30
Furniture, fixtures, machinery and equipment	5-10
Water meters	10

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Compensated Absences

City employees are granted vacation and sick leave in varying amounts based on length of service and the department, which the employee serves.

It is the City's sick leave policy to permit employees to accumulate earned but unused sick pay benefits. Sick leave is accrued and reported as a fund liability when it is probable that the City will compensate the employee in the following fiscal year through cash benefits conditioned on the employee's termination or resignation. The remaining accumulated sick leave balance is accounted for in the general long-term debt account group.

The City's vacation policy is that earned vacation must be taken within one year of the employee's anniversary date, as there is no carryover from one period to another. Unused vacation pay, if any, is paid with the employee's termination or retirement. Those amounts estimated to be liquidated with expendable available financial resources are reported as an expenditure and a fund liability of the appropriate fund.

J. Long-Term Obligations

The City reports long-term debt of governmental funds at face value in the general long-term debt account group. Certain other governmental fund obligations not expected to be financed with current available financial resources are also reported in the general long-term debt account group. Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate funds.

For governmental fund types, bond premiums and discounts, as well as issuance costs, are recognized during the current period. Bond proceeds are reported as an other financing source net of the applicable premium or discount. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

For proprietary fund types, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium, discount, and issuance.

K. Deferred Revenues

Deferred Revenues include amounts collected before revenue recognition criteria are met and receivables, which, under the modified accrual basis of accounting, are measurable, but not yet available.

L. Fund Equity

Reservations of fund balance represent amounts that are not appropriable or are legally segregated for a specific purpose. Reservations of retained earnings are limited to outside third-party restrictions. Designations of fund balance represent tentative management plans that are subject to change. The proprietary fund's contributed capital represents equity acquired through capital grants and capital contributions from developers, customers or other funds.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Contributions

Contributions from private developers and customers representing the expansion of capital improvements of the City operated water and wastewater systems are recorded as nonoperating revenues and reflected on the statement of revenues, expenses and changes in retained earnings.

N. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Although these estimates are based on management's knowledge of current events and actions it may undertake in the future, they may ultimately differ from actual results.

O. Memorandum Only-Total Columns

Total columns on the general-purpose financial statements are captioned as "memorandum only" because they do not represent consolidated financial information and are presented to facilitate financial analysis. The columns do not present information that reflects financial position, results of operations or cash flows in accordance with accounting principles generally accepted in the United States of America. Interfund eliminations have not been made in the aggregation of this data.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Annual appropriated budgets are adopted for the General Fund, the Excise Tax, Local Option Gas Tax and Senior Center special revenue funds and the Debt Service Fund on a basis consistent with accounting principles generally accepted in the United States of America (GAAP). All annual appropriations lapse at year-end.

The City Manager submits to the City Commission a proposed operating budget for the fiscal year commencing October 1. This budget includes proposed expenditures as well as the expected means of financing them. The Commission holds public hearings and a final budget must be prepared and adopted no later than October 1.

The appropriated budget is prepared by fund, function and department. The City Manager is authorized to transfer budgeted line items within a department classification; however, any revisions that alter the department totals must be approved by the City Council. Therefore, the department level is the legal level of budgetary control. Budgeted amounts are as originally adopted or as amended. Individual type amendments were not material in relation to the original appropriations.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because commitments will be reappropriated and honored during the subsequent year.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

Excess of Expenditures over Appropriations

Expenditures exceeded appropriations in the general fund for the year ended September 30, 2002 at the following department levels, which is the legally controlled level of appropriations:

	<u>Final Budget</u>	<u>ACTUAL</u>	<u>Amount in Excess of Final Budget</u>
General government	\$1,342,222	\$1,366,659	\$(24,437)

This over expenditure was funded by available fund balance.

Deficit Fund Equity

The following funds have deficit balances as of September 30, 2002:

General Fund	\$ 300,176
Enterprise Funds:	
Water	61,185
Sewer	3,233,590
Golf Course Operations	1,280,878
Internal Service ISF Fund	325,410

General Fund

The deficit in this fund resulted from the subsidization of operating losses in the sewer and golf course fund over the past several years.

Water Enterprise Fund:

The deficit in this fund resulted from \$199,995 in transfers from the water fund to the general fund as a management fee during the year. This amount was recorded as an operating transfer out in the water fund's financial statements.

Sewer Enterprise Fund:

This deficit in this fund is an accumulation from prior years, however, ongoing improvements will assist in decreasing the deficit. During fiscal year 2002 the deficit decreased by \$1,227,508 from the fiscal year 2001 deficit of \$4,461,098 as a result of the general fund forgiving advances made to the fund that were recorded as operating transfers during fiscal year 2002.

Golf Course Operations:

The deficit in this fund has resulted from the accumulation of deficits and losses in its four years of operation. Subsequent to year-end, the City changed management firms for the golf course due to a lack of positive results. The City has closely scrutinized the golf course operation over the past four years. The City has proactively replaced three management firms, which failed to produce the desired results. The City is of the opinion that with the proper management firm in place, that the golf course will become a going concern and the deficit will be reduced.

Internal Service ISF Fund:

The deficit in this fund is due to the recording of a \$388,000 liability due to Miami Dade County representing prior year insurance expenses, which were not accrued, during prior years.

3. FUND EQUITY

Adjustments and reclassification of Fund Balance

As part of a comprehensive review of account activity within the City's funds, management identified a number of transactions that had been improperly accounted for in prior periods. Accordingly, the City's fund balances at September 30, 2001 for the General Fund; the Excise Tax Fund; the Senior Center Fund; the Grants Fund, the Hurricane Fund, the Safe Neighborhood Parks Bond Fund; the Water Fund; the Sewer Fund; the Refunding Bond Fund, the Sanitation Fund, the Golf Course Operations Fund, the Fleet Maintenance Fund, the ISF Fund, and the Computer and Telecommunications Fund have been restated in order to properly classify amounts in the current fiscal year.

The following restatements resulted in adjustments to September 30, 2001 fund balances and to agency fund liability balances as follows:

<u>General Fund</u>	
Balance at September 30, 2001 (as reported)	\$3,371,246
Adjustments to Fund Balance:	
To record current portion of the liability for compensated absences, which was not recorded in prior periods.	(315,833)
To correct for differences in pool cash accounts carried forward from prior years.	148,287
To correct for entry improperly recorded in prior year to pooled cash and miscellaneous revenues.	<u>(109,893)</u>
Total adjustments to fund balance	<u>(277,439)</u>
Restated Balance at September 30, 2001	<u>\$3,093,807</u>
<u>Special Revenue Funds</u>	
Balance at September 30, 2001 (as reported)	\$324,378
Adjustments to Fund Balance:	
To correct for amounts not properly accounted for in prior periods.	38,374
To correct for grant expenditures improperly recorded in the prior year.	390,655
To correct for grant revenues improperly recognized in the prior year.	<u>(134,987)</u>
Total adjustments to fund balance	<u>294,042</u>
Restated Balance at September 30, 2001	<u>\$618,420</u>
<u>Enterprise Funds</u>	
Retained (Deficit) at September 30, 2001 (as reported)	\$(201,361)
Adjustments to (Deficit):	
To correct for prior year adjustments to pooled cash balances.	(137,961)
To correct for prior year expenses improperly recorded in FY2002.	<u>(146,708)</u>
Total adjustments to retained (deficit)	<u>(284,669)</u>
Restated Balance at September 30, 2001	<u>\$(486,030)</u>

3. FUND EQUITY (CONTINUED)

Adjustments and reclassification of Fund Balance (Continued)

<u>Internal Service Funds</u>	
Retained Earnings at September 30, 2001 (as reported)	\$502,707
Adjustments to Retained Earnings:	
To record insurance and other expenses and related liabilities not recorded in the prior year.	<u>(395,027)</u>
Total adjustments to retained earnings	<u>(395,027)</u>
Restated Balance at September 30, 2001	<u>\$107,680</u>

During fiscal year 2002, the City transferred \$68,655 from the capital projects fund to the general fund through a residual equity transfer in order to close out the capital projects fund.

4. DEPOSITS AND INVESTMENTS

Deposits

In addition to insurance provided by the Federal Depository Insurance Corporation, all deposits are held in banking institutions approved by the State Treasurer of the State of Florida to hold public funds. Under Florida Statutes Chapter 280, *Florida Security for Public Deposits Act*, the State Treasurer requires every qualified public depository to deposit with the Treasurer eligible collateral. Statutes provide that if a loss to public depository is not covered by deposit insurance and the proceeds from the sale of securities pledged by the defaulting depository, the difference will be provided by an assessment levied against other public depositories of the same type as the depository in default. Accordingly, all amounts reported as deposits are deemed as insured or collateralized with securities held by the entity or its agent in the entity's name.

Investments

City administration is authorized to invest in those instruments authorized by the Florida Statutes including the Local Government Surplus Trust Fund administered by the State Board of Administration (the Board). The Local Government Surplus Funds Trust Fund is governed by Chapter 19-7 of the Florida Administrative Code, which identifies the Rules of the State Board of Administration. These rules provide guidance and establish the general operating procedures for the administration of the Local Government Surplus Funds Trust Fund. Additionally, the Office of the Auditor General performs the operational audit of the activities and investments of the State Board of Administration. The Local Government Surplus Funds Trust Fund is not a registrant with the Securities and Exchange Commission; however, the Board has adopted operating procedures consistent with the requirements for a 2A-7 fund, which is similar to a mutual fund.

The pension trust funds are authorized to invest in equities, preferred stocks rated A or better by Moody's and/or Standard & Poor's corporate debt securities rated BBB or better from Standard & Poor's and/or BAA or better from Moody's, obligations of the U.S. Government and its fully guaranteed agencies and debt issues convertible to equities.

4. DEPOSITS AND INVESTMENTS (CONTINUED)

Investments are classified as to credit risk, which are summarized below:

- Category 1 Insured or registered, or securities held by the City or its agent in the City's name.
- Category 2 Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the City's name.
- Category 3 Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the City's name.

The City does not participate in any securities lending transactions nor has it used, held or written derivative financial instruments.

At year-end, the City's investment balances were as follows:

	Category 1	Carrying Amount/ Market Value
U.S. Treasury bonds and notes	\$ 2,699,732	\$ 2,699,732
Federal Agency bonds	7,400,671	7,400,671
Corporate Stock	4,724,972	4,724,972
Common stocks	11,688,258	11,688,258
Certificates of Deposit	1,541,612	1,541,612
Total	<u>\$28,055,245</u>	28,055,245

Investment not subject to categorization:
 State Board of Administration Investment Pool
 Money market funds

475,507
876,733

Total Investments \$29,407,485

PER COMBINED BALANCE SHEET

Cash and cash equivalents	\$ 3,373,371
Investments	28,530,752
Restricted assets:	
Cash and cash equivalents	<u>171,636</u>
	<u>\$32,075,759</u>

BY CATEGORY

Deposits	\$ 2,668,274
Investments	<u>29,407,485</u>
	<u>\$32,075,759</u>

5. RECEIVABLES

Receivables as of September 30, 2002, including the related allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Special Revenue</u>	<u>Enterprise</u>	<u>Internal Service</u>	<u>Trust</u>	<u>Total</u>
Receivables:						
Accounts	\$ 24,657	\$ 17,154	\$1,274,838	\$919	\$ 1,407	\$1,318,975
Intergovernmental	-	125,034	-	-	-	125,034
Taxes and fees	121,360	189,605	-	-	-	310,965
Special assessments	-	-	-	-	-	-
Interest and dividends	-	-	-	-	240,864	240,864
Total receivables	<u>146,017</u>	<u>331,793</u>	<u>1,274,838</u>	<u>919</u>	<u>242,271</u>	<u>1,995,838</u>
Less allowance for uncollectible accounts	-	-	302,073	-	-	302,073
Net receivables	<u>\$146,017</u>	<u>\$331,793</u>	<u>\$ 972,765</u>	<u>\$919</u>	<u>\$242,271</u>	<u>\$1,693,765</u>

6. PROPERTY, PLANT AND EQUIPMENT

General Fixed Assets Account Group

The following is a summary of changes in the General Fixed Assets Account Group for the year ended September 30, 2002:

	<u>Balance at 10/01/2001</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments *</u>	<u>Balance at 9/30/2002</u>
Land	\$ 373,137	\$158,114	\$ -	\$ -	\$ 531,251
Building and building improvements	4,482,895	146,311	-	(15,576)	4,613,630
Machinery and equipment	<u>2,374,152</u>	<u>169,219</u>	<u>-</u>	<u>(589,778)</u>	<u>1,953,593</u>
Total	<u>\$7,230,184</u>	<u>\$473,644</u>	<u>\$ -</u>	<u>\$(605,354)</u>	<u>\$7,098,474</u>

The following is a summary of fixed assets in the Enterprise Funds at September 30, 2002:

Utility Plant and System	\$20,026,269
Machinery and equipment	2,177,137
Construction in progress	384,376
Golf course	<u>5,584,481</u>
Total	28,172,263
Less: accumulated depreciation	<u>11,930,820</u>
Total	<u>\$16,241,443</u>

* Adjustments to general fixed assets were made in the current year to remove fixed assets that had been sold at auction or disposed of in the current and prior years but not removed from the City's ledgers.

7. LONG-TERM DEBT

Long-term debt of the City is comprised of a revenue bond recorded in the Sewer Enterprise Fund; General Obligation Bonds and accumulated vacation and sick pay benefits are recorded in the General Long-Term Debt Account Group.

On September 18, 1997, the City issued \$5,000,000 of General Obligation Bonds with interest rates ranging from 4.00% to 5.10%, which mature on February 1, 2013, for the purchase and renovation of the Miami Springs Golf Course and Country Club from the City of Miami. The bonds are secured by a debt service millage levy of .662 mills.

On May 1, 1998, the City issued \$11,435,000 in Utility Systems Revenue Refunding and Improvement Bonds with interest rates ranging from 3.75% to 4.85%, which mature on September 21, 2021, to advance refund \$7,515,000 of outstanding 1994 Series Refunding Bonds with interest rates ranging from 2.5% to 5%. The net proceeds of \$10,898,910 (after payment of \$426,193 in underwriting fees, insurance, and other costs) plus an additional \$844,590 from 1994 Series reserve fund monies were used to purchase allowable investments in the amount of \$7,506,914. The remaining bond proceeds of \$3,391,996 were used to purchase short-term allowable investments to be utilized for the acquiring, construction, renovating, installing and equipping additions and improvements to the collection and transmission facilities of the sewer system. The \$7,506,914 in securities was deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1994 Series bonds. As a result, the 1994 Series bonds are considered to be defeased and the liability for those bonds has been removed from the sewer fund.

In addition, unamortized costs from the 1994 Series bonds of approximately \$600,000 have been recorded as part of the net bonds payable at September 30, 1998 and are being amortized over the remaining life of the Series 1994 bonds using the effective interest method. At September 30, 2002, the net unamortized costs from the 1994 Series Bonds is approximately \$424,491. The refunding did not result in an economic gain or loss.

At September 30, 2002 and for the period then ended, the City had complied with the provisions of its bond indenture agreements. Debt service requirements to maturity for the fiscal year ending September 30 are summarized as follows:

	Revenue Bonds		General Obligation Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2003	\$ 350,000	\$ 486,362	\$ 185,000	\$ 213,463	\$ 535,000	\$ 699,825
2004	360,000	471,663	190,000	205,117	550,000	676,780
2005	375,000	456,362	200,000	196,292	575,000	652,654
2006	395,000	440,050	210,000	186,860	605,000	626,910
2007	410,000	422,670	220,000	176,808	630,000	599,478
2008-2012	2,355,000	1,818,175	1,285,000	708,434	3,640,000	2,526,609
2013-2017	2,975,000	1,198,440	1,665,000	332,938	4,640,000	1,531,378
2018-2021	<u>2,955,000</u>	<u>378,500</u>	<u>390,000</u>	<u>10,335</u>	<u>3,345,000</u>	<u>388,835</u>
	10,175,000	5,672,222	4,345,000	2,030,247	14,520,000	7,702,469
Net unamortized costs	(424,491)	-	-	-	(424,491)	-
Total, net	<u>\$ 9,750,509</u>	<u>\$5,672,222</u>	<u>\$4,345,000</u>	<u>\$2,030,247</u>	<u>\$14,095,509</u>	<u>\$7,702,469</u>

7. LONG-TERM DEBT (CONTINUED)

A reconciliation of Revenue Bonds as shown on the combined balance sheet for the enterprise funds is as follows:

Revenue bonds -long-term portion	\$ 9,825,000
Revenue bonds -current portion	<u>350,000</u>
Total	<u>\$10,175,000</u>

Interest costs are capitalized when incurred by proprietary funds on debt where proceeds were used to finance the construction of assets. During the period, interest expense totaling \$485,997 was incurred on the 1998 Utility & Systems Revenue Refunding and Improvement Bonds. There was no capitalized interest as of September 30, 2002 since construction has been completed.

Changes in General/Long-Term

The following schedule summarizes the changes in the general long-term debt account group for the year ended September 30, 2002:

	Balance September 30, 2001	Additions	Payments	Balance September 30, 2002
Accrued vacation and sick pay	\$ 414,060	\$353,720	\$401,150	\$ 366,630
General obligation bonds	<u>4,520,000</u>	<u>-</u>	<u>175,000</u>	<u>4,345,000</u>
Total	<u>\$4,934,060</u>	<u>\$353,720</u>	<u>\$576,150</u>	<u>\$4,711,630</u>

8. LEASES

Capital Leases

On April 30, 2002, the City entered into a Master Lease agreement, with a local financial institution, as lessee for financing the acquisition of vehicles and equipment for the Sanitation and Golf Course enterprise funds. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of its future minimum lease payments as of the inception date.

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2002, were as follows:

	Year ending September 30,
2003	\$ 87,871
2004	87,871
2005	87,871
2006	87,871
2007	<u>51,259</u>
Total minimum lease payments	402,743
Less: amount representing interest (7.24% APR)	<u>(40,409)</u>
Present value of minimum lease payments	<u>\$362,334</u>

8. **LEASES (CONTINUED)**

On May 18, 2001 the City entered into a Master Lease agreement, with a local financial institution, as lessee for financing the acquisition of equipment for the Golf Course enterprise fund. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of its future minimum lease payments as of the inception date.

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2002, were as follows:

	Year ending <u>September 30,</u>
2003	\$ 45,181
2004	45,181
2005	<u>30,121</u>
Total minimum lease payments	120,483
Less: amount representing interest (5.38% APR)	<u>(8,476)</u>
Present value of minimum lease payments	<u>\$112,007</u>

Operating Leases

The City leases equipment for its golf course enterprise fund under non-cancelable operating leases. Total costs for such leases were \$46,355 for the fiscal year ended September 30, 2002. The City also leases equipment under non-cancelable operating leases. Total costs for such leases were \$88,830 for the fiscal year ended September 30, 2002.

The future minimum lease payments are as follows:

	Year ending <u>September 30,</u>
2003	\$132,480
2004	54,368
2005	<u>30,121</u>
Total	<u>\$216,969</u>

9. INTERFUND RECEIVABLES AND PAYABLES, INTERFUND TRANSFERS AND ADVANCES

Interfund receivables and payables at September 30, 2002 and the amount of interfund transfers for the fiscal year ended September 30, 2002 are as follows:

	Interfund Receivable	Interfund Payable	Transfers In	Transfers Out
General	\$379,629	\$ -	\$2,632,205	\$ 120,000
Special Revenue:				
Excise Tax Fund	-	393,083	-	2,207,207
Senior Fund	-	-	120,000	-
Enterprise				
Water Fund	-	-	-	199,995
Sewer Fund	16,053	-	-	164,268
Sanitation Fund	-	-	-	75,000
1998 Utility Refunding Fund	-	-	14,265	-
Trust Fund	-	2,599	-	-
Total	<u>\$395,682</u>	<u>\$395,682</u>	<u>\$2,766,470</u>	<u>\$2,766,470</u>

Advances from and to funds at September 30, 2002 were as follows:

	Advances From	Advances To
General	\$2,090,454	\$ -
Enterprise Funds:		
Sewer Fund	-	667,196
Golf Course Fund	-	1,248,469
1998 Utility Refunding Fund	-	174,789
Total	<u>\$2,090,454</u>	<u>\$2,090,454</u>

10. EMPLOYEE RETIREMENT PLANS

(1) Plan Description

The City's Public Employee Retirement Systems (PERS) administers two single employer defined benefit pension plans established to provide pension benefits for its employees and beneficiaries. The two plans are the General Employees' Pension Fund and the City of Miami Springs Retirement System for Police and Firefighters. The PERS issues a publicly available financial report that includes financial statements and required supplementary information for both plans. The financial reports may be obtained by writing to the City of Miami Springs, 201 Westward Drive, Miami Springs, Florida 33166.

The City's payroll for employees covered by the General Employees Plan for the year ended September 30, 2002 was approximately \$2,974,570.

(2) Summary of Significant Accounting Policies

Basis of Accounting

The Plans' financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the Plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

10. **EMPLOYEE RETIREMENT PLANS (CONTINUED)**

(2) Summary of Significant Accounting Policies (Continued)

Method Used to Value Investments

Plan investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price. Investments that do not have an established market price are presented at estimated fair values as provided by the custodial bank and investment counsel.

(3) Funding Policy

General Employees

The pension board establishes the required employee contribution and the City is required to contribute the amount in excess of employee contributions to pay the annual pension cost. City employee members are required to contribute 5% of their annual covered salary, the City's contribution is limited to 10% of compensation paid to participants during the year. Annual contributions are actuarially determined as specified by the Retirement Ordinance as of October 1. The City is required to contribute at an actuarially determined rate. City and employee contributions for fiscal year 2002 were approximately \$-0- and \$152,423, respectively.

Police and Firefighters

The regular member contribution for both bargaining unit employees and non-bargaining unit managerial employees in that capacity after September 27, 1993 rate is 9% of earnings. If the combined City and Member contributions required for a year are less than 14% of covered payroll, the difference under 14% shall be rounded to the nearest .1% of budgeted payroll. The resulting difference shall be divided in two, with plan members reducing their contribution rates by half the difference, and the City reducing its contribution by the remaining half for that fiscal year. However, if the combined City and member contributions for any one fiscal year exceed 18% of the budgeted payroll for police officers, the excess rate over 18% will be divided by two with plan members paying half of the excess and the City paying the other half for that fiscal year. Annual contributions are actuarially determined as specified by the Retirement Ordinance as of October 1.

(4) Annual Pension Cost and Net Pension Obligation

The City's annual pension cost and net pension obligation to the General Employees Retirement System for the years ended September 30, 2001 was as follows:

Annual required contribution	\$ 789
Interest on net pension asset	(2,466)
Less: adjustment to annual required contribution	<u>3,804</u>
Annual pension cost	2,127
Contributions made	<u>49,687</u>
Increase in net pension asset	47,560
Net pension asset, beginning of year	<u>30,823</u>
Net pension asset, end of year	<u>\$78,383</u>

10. EMPLOYEE RETIREMENT PLANS (CONTINUED)

(4) Annual Pension Cost and Net Pension Obligation (Continued)

The annual required contribution for the current year was determined based on an October 1, 1999 actuarial valuation date using the aggregate actuarial cost method. Due to the Plan using the Aggregate Actuarial cost method, a schedule of funding progress is not included as this method does not identify or separately amortize unfunded actuarial liabilities. Significant actuarial assumptions used in the actuarial valuation include (i) a rate of return on the investment of present and future assets of 8% a year compounded annually, (ii) projected salary increases ranging from 7%. Both (i) and (ii) include an inflation component of 4%. The aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period.

Three-Year Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Annual Pension Cost (APC)	Net Pension Asset
9/30/99	\$98,612	101%	\$31,673
9/30/00	86,149	121	30,823
9/30/01	2,127	100	78,383

The City's Annual Pension Cost and net pension obligation to the Police & Firefighters' Plan for the years ended September 30, 2001 were as follows:

Annual required contribution	\$49,703
Interest on net pension asset	(3,765)
Less: adjustment to annual required contribution	<u>4,928</u>
Annual pension cost	50,866
Contributions made	<u>58,133</u>
Increase in net pension asset	7,267
Net pension asset, beginning of year	<u>47,062</u>
Net pension asset, end of year	<u>\$54,329</u>

The annual required contribution for the current year was determined based on an October 1, 1999 actuarial valuation date using the aggregate actuarial cost method. Due to the Plan using the Aggregate Actuarial cost method, a schedule of funding progress is not included as this method does not identify or separately amortize unfunded actuarial liabilities. Significant actuarial assumptions used in the actuarial valuation include (i) a rate of return on the investment of present and future assets of 8% a year compounded annually, (ii) projected salary increases ranging from 6.5%. Both (i) and (ii) include an inflation component of 4%. The assumptions did not include post-retirement benefit increases. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period.

Three-Year Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Annual Pension Cost (APC)	Net Pension Asset
9/30/99	\$68,076	97%	\$48,049
9/30/00	57,093	105	47,062
9/30/01	50,866	114	54,329

11. SEGMENT INFORMATION FOR ENTERPRISE FUNDS

Water, sewer, sanitation and stormwater services provided by the City are financed by user charges. Segment information for the fiscal year ended September 30, 2002 for these services is as follows:

	<u>Water</u>	<u>Sewer</u>	<u>Sanitation</u>	<u>Stormwater</u>	<u>Golf Course</u>	<u>1998 Utility Refunding Bond</u>	<u>Total</u>
Operating revenues	\$1,198,716	\$3,569,715	\$1,542,331	\$280,805	\$1,772,692	\$ -	\$8,364,259
Depreciation and amortization expense	18,039	316,751	45,950	26,747	298,027	246,662	952,176
Operating income (loss)	34,075	538,978	40,520	96,249	(642,156)	(256,092)	(188,426)
Nonoperating revenues (expenses)	(66,655)	859,904	(67,365)	375,000	(7,602)	3,339	1,096,621
Operating transfers (out)	(199,995)	(164,268)	(75,000)	-	-	-	(439,263)
Net income (loss)	(232,575)	1,234,614	(101,845)	471,249	(649,758)	(238,485)	483,200
Property, plant and equipment:							
Additions	21,312	484,382	24,782	379,951	87,825	38,956	957,249
Net working capital (deficiency)	53,880	(424,194)	(32,126)	437,128	(1,254,214)	(175,992)	(1,395,518)
Total assets	677,497	8,145,805	490,190	1,365,460	4,523,022	3,414,332	18,616,306
Bonds payable	-	9,400,509	-	-	-	-	9,400,509
Capital lease obligations	-	-	306,432	-	167,906	-	474,338
Retained earnings (deficit)	(61,185)	(3,233,590)	14,432	1,324,071	(1,280,878)	3,234,319	(2,571)
Total equity (deficit)	(61,185)	(3,233,590)	14,432	1,324,071	3,006,257	3,234,319	4,284,584

12. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters for which the City carries commercial insurance. There have been no reductions in insurance coverage from coverages in the prior year and there have been no claims settled which have exceeded insurance coverage for each of the past three years.

The City through a separate internal service fund administers the following insurance program:

Liability Insurance

The public liability program is designed to cover all public liability type claims incurred, subject to the limitation established by the State of Florida Waiver of Sovereign Immunity Act. Insurance coverage is primarily provided by the Florida Municipal Liability Insurance Program supplemented by other policies and outside carriers. The program is funded through contributions from operating departments of the City, which are recorded as expenditures of the respective funds and as revenues in the liability insurance fund. The City's deductible portion of liability claims and premiums paid to insurers are charged to the funds as incurred.

13. DEFINED CONTRIBUTION PLAN

The City of Miami Springs 401(a) Money Purchase Plan is a defined contribution plan established by the City to provide benefits at retirement for certain employees of upper management. At September 30, 2002, there were three plan members, the City Manager, Assistant City Manager and the Finance Director. The City is required to contribute on behalf of each participant 14.89% of earnings for the plan year. Participants are not permitted to make contributions. City contributions fully vest in the year they are contributed. Plan provisions and contribution requirements are established and may be amended by the City Council.

The plan assets are administered by ICMA Retirement Corp. Participants are mailed quarterly statements or can obtain daily account balances through the Internet. The City does not exercise any control over the plan assets. Contributions were approximately \$32,000 for the year ended September 30, 2002.

14. COMMITMENTS AND CONTINGENCIES

Litigation

Various suits and claims arising in the ordinary course of operations are pending against the City. While the ultimate effect of such litigation cannot be ascertained at this time, in the opinion of legal counsel, the City has sufficient insurance coverage to cover any claims and/or liabilities, which may arise from such action. The effect of such losses would not materially affect the financial position of the City or the results of its operations.

Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected may constitute a liability of the applicable funds. In the opinion of management, future disallowances of grant expenditures, if any, would not have a material adverse effect on the City's financial condition.

15. SUBSEQUENT EVENTS

LeJeune Road Flyover

As a result of the State of Florida Department of Transportation's Lejeune Road Flyover Project, the City is required to relocate a section of its water and sewer lines. The cost to the City for the relocation will be approximately \$1,239,390.

On April 9, 2002, the City entered into an agreement with the State of Florida Department of Transportation (the "FDOT"), in which the FDOT would pay for the relocation costs and the City of Miami Springs would repay the FDOT. The terms of the agreement require one hundred eighty (180) monthly installments of \$6,885 commencing in October of 2002. The advance is non-interest bearing.

16. NEW GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB) STANDARDS

The Governmental Accounting Standards Board (GASB) has issued several statements not yet implemented by the City of Miami Springs. The statements which might impact the City of Miami Springs are as follows:

Statement No. 34, *Basic Financial Statements- and Management Discussion and Analysis- For State and Local Governments*, issued June 1999 and GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*, issued March 2000, will be effective for the City of Miami Springs for the fiscal year ending September 30, 2003. Statement No. 34 and Interpretation No. 6 imposes new standards for financial reporting. Management has not yet completed their assessment of these pronouncements; however they will have a material effect on the overall financial statement presentation of the City of Miami springs, Florida.

Statement No. 37, *Basic Financial Statements- and Management's Discussion and Analysis- For State and Local Governments: Omnibus*, issued June 2001, will be effective for the City of Miami Springs simultaneously with the implementation of GASB Statement No. 34. This Statement amends certain provisions of Statement No. 34 and Statement No. 21, *Accounting for Escheat Property*.

Statement No. 38, *Certain Financial Statement Note Disclosures*, issued June 2001, will be effective for the City of Miami Springs simultaneously with the implementation of GASB Statement No. 34. This Statement modifies, establishes and rescinds certain financial statement disclosure requirements.

Statement No. 39, *Determining Whether Certain Organizations are Component Units*, issued May 2002, will be effective for the City of Miami Springs for the fiscal year ending September 30, 2004. This statement amends Statement No. 14, *The Financial Reporting Entity*, to provide additional guidance to determine whether certain organizations for which the City is not financially accountable should be reported as component units based on the nature and significance of their relationship with the City.

The City's management has not yet determined the effect these Statements will have on the City's financial statements.

17. FINANCIAL CONDITION

The City performed a financial condition assessment pursuant to Rule 10.566(8) of the Rules of the State of Florida Auditor General. This assessment is required to be performed by the City in order to assess its financial condition on an ongoing basis and if applicable, identify trends that could result in the City being in a Technical State of Financial Emergency. The results of performing the financial condition assessment disclosed that approximately 63% of the financial indicators had unfavorable results, 32% had inconclusive results, and 5% had favorable results.

As more fully disclosed in Note 2 of the City's general purpose financial statements (Stewardship, Compliance and Accountability), operating losses accumulated over the prior years resulted in deficits in the general fund of \$300,176 and the following enterprise funds; the water fund \$61,185, the sewer fund \$3,233,590, and the golf operations fund \$1,280,878.

17. FINANCIAL CONDITION (CONTINUED)

These deficits were primarily subsidized with resources from the general fund and as a result there are approximately \$2,090,454 in advances due to the general fund, which the enterprise funds described above will likely be unable to repay during the fiscal year ended September 30, 2003. In addition, the City has a deficit fund balance of \$325,410 in the Internal Service Fund.

The continued deficits in the City's proprietary fund along with deteriorating fund balances could have a negative effect upon the City's ability to meet its obligation and to provide the level of services it currently provides to its residents.

The results of the performance of the financial condition assessment prepared by the City combined with the deficit fund balances and continued losses in the sewer fund and golf course operations fund indicate that the City is experiencing trends that if not corrected in the near future could result in the City being in a Technical State of Financial Emergency.

Management has been aware of the financial condition of the City and has been in the process of developing a five-year plan to reverse the deteriorating financial condition that has developed over the past six years. Management's plan, when completed, will include but not be limited to:

1. The aggressive pursuit of annexation of commercial/industrial areas currently available to the City that could provide substantial increases in the City's tax base.
2. Continued efforts in the implementation of economic development and revitalization plans that will reinvigorate the City's business district.
3. Recent changes in Golf Course management and operating structure are expected to provide much improved fiscal accountability.
4. Through the budgeting process, continue to evaluate and implement cost containment measures affecting the General Fund.
5. Continue essential repairs on water and sewer utilities to reduce sewer treatment costs and water losses due to leakage.

CITY OF MIAMI SPRINGS, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS

SEPTEMBER 30, 2002

GENERAL EMPLOYEE PENSION FUND

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
10/1/1996	\$ 6,830,478	5,955,713	(874,765)	114.7%	\$ 2,863,384	-30.6%
10/1/1997	7,703,046	6,380,390	(1,322,656)	120.7%	2,916,129	-45.4%
10/1/1998	8,495,731	6,883,280	(1,612,451)	123.4%	2,977,751	-54.1%
10/1/1999	9,646,613	7,308,588	(2,338,025)	132.0%	2,863,379	-81.7%
10/1/2000	10,780,335	8,273,005	(2,507,330)	130.3%	3,069,479	-81.7%
10/1/2001	11,671,813	9,132,700	(2,539,113)	127.8%	2,987,599	-85.0%

POLICE & FIREFIGHTERS' PENSION FUND

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
10/1/1996	\$ 11,781,770	\$ 9,964,792	(1,816,978)	118.2%	\$ 1,979,735	-91.8%
10/1/1997	13,172,435	10,678,212	(2,494,223)	123.4%	2,011,862	-124.0%
10/1/1998	14,419,701	11,224,635	(3,195,066)	128.5%	1,694,220	-188.6%
10/1/1999	15,694,388	12,300,196	(3,394,192)	127.6%	1,864,081	-182.1%
10/1/2000	16,997,941	13,050,899	(3,947,042)	130.2%	1,762,503	-223.9%
10/1/2001	18,066,619	13,696,930	(4,369,689)	131.9%	1,784,871	-244.8%

COMBINING, INDIVIDUAL FUND AND ACCOUNT GROUP STATEMENTS AND SCHEDULES

The financial statements presented in this section provide a more detailed view of the general purpose financial statements presented in the preceding subsection.

Combining statements are presented when there is more than one fund of a given fund type.

GENERAL FUND

The General Fund is used to account for the general operations of the City, which are not accounted for in other funds. General operations include services of police protection, building and zoning, code enforcement, planning, public works, parks and recreation, senior center and administration of the City.

CITY OF MIAMI SPRINGS, FLORIDA

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE- BUDGET AND ACTUAL

FISCAL YEAR ENDED SEPTEMBER 30, 2002

	<u>Budget</u>	<u>Actual</u>	Variances Favorable (Unfavorable)
Revenues:			
Taxes:			
Current ad valorem	\$ 4,743,838	\$ 4,862,697	\$ 118,859
Delinquent ad valorem	<u>25,000</u>	<u>32,882</u>	<u>7,882</u>
Total taxes	<u>4,768,838</u>	<u>4,895,579</u>	<u>126,741</u>
Licenses and permits:			
Occupational licenses	49,000	57,796	8,796
Building permits	85,047	107,559	22,512
Electrical permits	29,066	31,828	2,762
Plumbing permits	17,248	17,152	(96)
Roofing permits	53,849	56,681	2,832
Mechanical permits	22,855	16,384	(6,471)
Miscellaneous permits	<u>87,250</u>	<u>127,445</u>	<u>40,195</u>
Total licenses and permits	<u>344,315</u>	<u>414,845</u>	<u>70,530</u>
Intergovernmental:			
Sales tax	800,000	797,929	(2,071)
Cigarette taxes	177,500	180,423	2,923
Revenue sharing	133,000	122,065	(10,935)
Beverage licenses	8,500	11,725	3,225
Fuel tax	<u>8,900</u>	<u>4,689</u>	<u>(4,211)</u>
Total intergovernmental	<u>1,127,900</u>	<u>1,116,831</u>	<u>(11,069)</u>
Charges for services:			
Police	38,500	47,850	9,350
Program activity fees	14,500	22,413	7,913
Day care program	95,000	112,148	17,148
Swimming pool admissions	30,000	29,623	(377)
Tennis fees	19,300	4,987	(14,313)
Miscellaneous	<u>25,100</u>	<u>52,192</u>	<u>27,092</u>
Total charges for services	<u>222,400</u>	<u>269,213</u>	<u>46,813</u>
Fines and forfeitures	<u>193,000</u>	<u>236,873</u>	<u>43,873</u>
Interest	<u>162,200</u>	<u>37,856</u>	<u>(124,344)</u>
Miscellaneous	<u>57,850</u>	<u>79,718</u>	<u>21,868</u>
Total revenues	<u>\$ 6,876,503</u>	<u>\$ 7,050,915</u>	<u>\$ 174,412</u>

CITY OF MIAMI SPRINGS, FLORIDA

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE- BUDGET AND ACTUAL (CONTINUED)

FISCAL YEAR ENDED SEPTEMBER 30, 2002

	Budget	Actual	Variances Favorable (Unfavorable)
Expenditures:			
General government:			
Legislative	\$ 345,840	\$ 355,097	\$ (9,257)
Legal	84,500	100,058	(15,558)
City clerk	175,546	152,184	23,362
Personnel	171,369	156,472	14,897
Finance	436,647	513,935	(77,288)
Planning	130,820	93,334	37,486
Total general government	<u>1,344,722</u>	<u>1,371,080</u>	<u>(26,358)</u>
Public safety:			
Police	4,134,297	3,772,486	361,811
Police crossing guards	23,749	17,203	6,546
Building and zoning and code enforcement	389,063	399,447	(10,384)
Total public safety	<u>4,547,109</u>	<u>4,189,136</u>	<u>357,973</u>
Public works:			
Administrative	386,837	353,235	33,602
Streets and street lights maintenance	310,424	370,638	(60,214)
Park maintenance	782,213	659,881	122,332
Building maintenance	235,058	221,060	13,998
Total public works	<u>1,714,532</u>	<u>1,604,814</u>	<u>109,718</u>
Recreation and culture	<u>1,150,609</u>	<u>993,270</u>	<u>157,339</u>
Non-departmental	<u>720,027</u>	<u>549,427</u>	<u>170,600</u>
Total expenditures	<u>9,476,999</u>	<u>8,707,727</u>	<u>769,272</u>
Deficiency of revenues over expenditures	<u>(2,600,496)</u>	<u>(1,656,812)</u>	<u>(943,684)</u>
Other financing sources (uses):			
Operating transfers out-charges against			
interfund receivables	-	(1,941,637)	(1,941,637)
Operating transfers in	2,175,000	2,632,205	457,205
Operating transfers out	(120,000)	(120,000)	-
Appropriation of prior year's fund balance	545,496	-	(545,496)
Total other financing sources	<u>2,600,496</u>	<u>570,568</u>	<u>2,029,928</u>
Deficiency of revenues over expenditures and other financing sources	<u>\$ -</u>	<u>\$ (1,086,244)</u>	<u>\$ 1,086,244</u>

SPECIAL REVENUE FUNDS

Special revenue funds are used to account for revenues derived from specific sources that are legally restricted to expenditures for particular purposes.

Excise Tax Fund. This fund is used to account for franchise fees and excise taxes levied on public utilities, which provide services within the City. These funds are transferred to the general fund for any directed purpose. Excise taxes are a collateral pledge to secure payment of sewer revenue bonds.

Local Option Gas Tax Fund. This fund is used to account for expenditures for transportation related improvements.

Senior Center Fund. This fund is used to account for the financial management of programs funded under Title III of the Older Americans Act.

Grants Fund. This fund is used to account for monies provided to the City from an outside agency, other than routine revenues, which are normally slated to accomplish a specific project or task. Grant funds can either be an entitlement to which the City is qualified to receive by virtue of its existence, or discretionary which the City must compete for.

Safe Neighborhoods Park Bond Fund. This fund is used to account for Safe Neighborhoods Parks Bond funds received from the County and the related capital expenditures.

Hurricane Fund. This fund is used to account for FEMA funds received and the expenditures related thereto resulting from hurricane and tropical storm clean up and restoration.

CITY OF MIAMI SPRINGS, FLORIDA

COMBINING BALANCE SHEET SPECIAL REVENUE FUNDS

SEPTEMBER 30, 2002

<u>ASSETS</u>	Excise Tax Fund	Local Option Gas Tax Fund	Senior Center Fund	Grants Fund	Safe Neighborhood Parks Bond Fund	Hurricane Fund	Totals
Cash and cash equivalents	\$ 2,138	\$ 344,576	\$ 10,286	\$ 491,926	\$ 5,067	\$ 271,982	\$ 1,125,975
Accounts receivable	159,944	42,572	629	-	3,613	125,035	331,793
Total assets	<u>\$ 162,082</u>	<u>\$ 387,148</u>	<u>\$ 10,915</u>	<u>\$ 491,926</u>	<u>\$ 8,680</u>	<u>\$ 397,017</u>	<u>\$ 1,457,768</u>
 <u>LIABILITIES AND FUND BALANCES</u>							
Liabilities:							
Accounts payable	\$ -	\$ 32	\$ 1,664	\$ 13,522	\$ 516	\$ -	\$ 15,734
Accrued liabilities	-	-	13,762	42	-	-	13,804
Due to other funds	-	-	-	393,083	-	-	393,083
Total liabilities	<u>-</u>	<u>32</u>	<u>15,426</u>	<u>406,647</u>	<u>516</u>	<u>-</u>	<u>422,621</u>
Fund balances:							
Reserved for encumbrances	-	55,663	39,339	10,615	30,900	10,257	146,774
Unreserved fund balance (deficit)	162,082	331,453	(43,850)	74,664	(22,736)	386,760	888,373
Total fund balances (deficit)	<u>162,082</u>	<u>387,116</u>	<u>(4,511)</u>	<u>85,279</u>	<u>8,164</u>	<u>397,017</u>	<u>1,035,147</u>
Total liabilities and fund balances	<u>\$ 162,082</u>	<u>\$ 387,148</u>	<u>\$ 10,915</u>	<u>\$ 491,926</u>	<u>\$ 8,680</u>	<u>\$ 397,017</u>	<u>\$ 1,457,768</u>

CITY OF MIAMI SPRINGS, FLORIDA

COMBINING STATEMENT OF REVENUES AND EXPENDITURES-BUDGET AND ACTUAL SPECIAL REVENUE FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2002

	<u>Excise Tax Fund</u>			<u>Local Option Gas Tax Fund</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:						
Taxes	\$ 1,700,000	\$ 2,319,405	\$ 619,405	\$ 480,991	\$ 423,901	\$ (57,090)
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	34,768	34,768
Total revenues	<u>1,700,000</u>	<u>2,319,405</u>	<u>619,405</u>	<u>480,991</u>	<u>458,669</u>	<u>(22,322)</u>
Expenditures:						
General government	-	-	-	480,991	379,039	101,952
Excess (deficiency) of revenues over expenditures	<u>1,700,000</u>	<u>2,319,405</u>	<u>619,405</u>	<u>-</u>	<u>79,630</u>	<u>79,630</u>
Other financing sources (uses):						
Operating transfers in	-	-	-	-	-	-
Operating transfers out	<u>(1,700,000)</u>	<u>(2,207,207)</u>	<u>(507,207)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(1,700,000)</u>	<u>(2,207,207)</u>	<u>(507,207)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues over expenditures and other financing sources (uses)	<u>\$ -</u>	<u>\$ 112,198</u>	<u>\$ 112,198</u>	<u>\$ -</u>	<u>\$ 79,630</u>	<u>\$ 79,630</u>
Fund balances(deficit), beginning		16,677			307,486	
Prior period adjustments		<u>33,207</u>			<u>-</u>	
Fund balances(deficit), beginning(restated)		<u>49,884</u>			<u>307,486</u>	
Fund balances(deficit), ending		<u>\$ 162,082</u>			<u>\$ 387,116</u>	

(Continued)

ENTERPRISE FUNDS

Enterprise Funds are used to account for functions that are financed and operated in a manner similar to private business enterprises where the intent is that the costs of providing goods and services be financed or recovered primarily through user charges.

Water, Sewer, Sanitation and Stormwater Utility Funds. These funds have been established to account for the provisions of water, sewer, sanitation and stormwater services to the residents of the City and portions of bordering areas. All activities necessary to provide such services are accounted for in these funds, including, but not limited to, administration, operations, maintenance, financing and related debt servicing, billing and collection.

Golf Course Operations. This fund was established to account for the general operations of the City of Miami Springs Golf Course and Country Club.

1998 Utility Refunding Bonds Fund. This fund was established to account for costs associated with the acquiring, construction, renovating, installing and equipping additions and improvements to the collection and transmission facilities of the Sewer System.

CITY OF MIAMI SPRINGS, FLORIDA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE SPECIAL REVENUE FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2002

	Excise Tax Fund	Local Option Gas Tax Fund	Senior Center Fund	Grants Fund	Safe Neighborhood Parks Bond Fund	Hurricane Fund	Totals
Revenues:							
Taxes	\$ 2,319,405	\$ 423,901	\$ -	\$ -	\$ -	\$ -	\$ 2,743,306
Intergovernmental	-	-	120,037	216,711	445	243,243	580,436
Charges for services	-	34,768	-	-	-	-	34,768
Total revenues	<u>2,319,405</u>	<u>458,669</u>	<u>120,037</u>	<u>216,711</u>	<u>445</u>	<u>243,243</u>	<u>3,358,510</u>
Expenditures:							
General government	-	379,039	236,961	396,445	7,363	236,881	1,256,689
Excess (deficiency) of revenues over expenditures	<u>2,319,405</u>	<u>79,630</u>	<u>(116,924)</u>	<u>(179,734)</u>	<u>(6,918)</u>	<u>6,362</u>	<u>2,101,821</u>
Other financing sources (uses):							
Operating transfers in-charges against interfund liabilities	-	-	-	400,000	2,113	-	402,113
Operating transfers in	-	-	120,000	-	-	-	120,000
Operating transfers out	<u>(2,207,207)</u>	-	-	-	-	-	<u>(2,207,207)</u>
Total other financing sources (uses)	<u>(2,207,207)</u>	-	<u>120,000</u>	<u>400,000</u>	<u>2,113</u>	-	<u>(1,685,094)</u>
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	<u>112,198</u>	<u>79,630</u>	<u>3,076</u>	<u>220,266</u>	<u>(4,805)</u>	<u>6,362</u>	<u>416,727</u>
Fund balances (deficit), beginning	16,677	307,486	215	-	-	-	324,378
Prior period adjustments	<u>33,207</u>	-	<u>(7,802)</u>	<u>(134,987)</u>	<u>12,969</u>	<u>390,655</u>	<u>294,042</u>
Fund balances (deficit), beginning as restated	<u>49,884</u>	<u>307,486</u>	<u>(7,587)</u>	<u>(134,987)</u>	<u>12,969</u>	<u>390,655</u>	<u>618,420</u>
Fund balances (deficit), ending	<u>\$ 162,082</u>	<u>\$ 387,116</u>	<u>\$ (4,511)</u>	<u>\$ 85,279</u>	<u>\$ 8,164</u>	<u>\$ 397,017</u>	<u>\$ 1,035,147</u>

CITY OF MIAMI SPRINGS, FLORIDA

COMBINING STATEMENT OF REVENUES AND EXPENDITURES-BUDGET AND ACTUAL SPECIAL REVENUE FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2002
(CONTINUED)

	<u>Senior Center Fund</u>			<u>Totals</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:						
Taxes	\$ -	\$ -	\$ -	\$ 2,180,991	\$ 2,743,306	\$ 562,315
Intergovernmental	154,474	120,037	(34,437)	154,474	120,037	(34,437)
Charges for services	-	-	-	-	34,768	34,768
Total revenues	<u>154,474</u>	<u>120,037</u>	<u>(34,437)</u>	<u>2,335,465</u>	<u>2,898,111</u>	<u>562,646</u>
Expenditures:						
General government	<u>320,651</u>	<u>236,961</u>	<u>83,690</u>	<u>801,642</u>	<u>616,000</u>	<u>185,642</u>
Excess (deficiency) of revenues over expenditures	<u>(166,177)</u>	<u>(116,924)</u>	<u>49,253</u>	<u>1,533,823</u>	<u>2,282,111</u>	<u>748,288</u>
Other financing sources (uses):						
Operating transfers in	166,177	120,000	(46,177)	166,177	120,000	(46,177)
Operating transfers out	-	-	-	(1,700,000)	(2,207,207)	(507,207)
Total other financing sources (uses)	<u>166,177</u>	<u>120,000</u>	<u>(46,177)</u>	<u>(1,533,823)</u>	<u>(2,087,207)</u>	<u>(553,384)</u>
Excess of revenues over expenditures and other financing sources (uses)	<u>\$ -</u>	<u>\$ 3,076</u>	<u>\$ 3,076</u>	<u>\$ -</u>	<u>\$ 194,904</u>	<u>\$ 194,904</u>
Fund balances (deficit), beginning		215			324,378	
Prior period adjustments		<u>(7,802)</u>			<u>25,405</u>	
Fund balances (deficit), beginning as restated		<u>(7,587)</u>			<u>349,783</u>	
Fund balances (deficit), ending		<u>\$ (4,511)</u>			<u>\$ 544,687</u>	

CITY OF MIAMI SPRINGS, FLORIDA

COMBINING BALANCE SHEET ENTERPRISE FUNDS

SEPTEMBER 30, 2002

<u>ASSETS</u>	<u>Water</u>	<u>Sewer</u>	<u>Sanitation</u>	<u>Stormwater</u>	<u>Golf Course Operations</u>	<u>1998 Utility Refunding Bonds</u>	<u>Totals</u>
Current assets:							
Cash and cash equivalents	\$ 314,077	\$ 439,596	\$ 20,045	\$ 117,309	\$ 45,146	\$ -	\$ 936,173
Receivables:							
Accounts, net	115,245	354,172	119,526	29,028	-	-	617,971
Other	4,920	-	-	329,200	20,674	-	354,794
Investments	-	388,140	-	-	-	-	388,140
Due from other funds	-	16,053	-	-	-	-	16,053
Other assets	-	-	-	-	1,500	-	1,500
Inventories	-	-	-	-	60,232	-	60,232
Total current assets	434,242	1,197,961	139,571	475,537	127,552	-	2,374,863
Fixed assets, net	243,255	6,947,844	350,619	889,923	4,395,470	3,414,332	16,241,443
Total assets	\$ 677,497	\$ 8,145,805	\$ 490,190	\$ 1,365,460	\$ 4,523,022	\$ 3,414,332	\$ 18,616,306
<u>LIABILITIES AND FUND EQUITY</u>							
Liabilities:							
Current liabilities:							
Accounts payable	\$ 360,124	\$ 896,650	\$ 43,483	\$ -	\$ 28,378	\$ 240	\$ 1,328,875
Accrued Liabilities	8,062	10,252	20,458	34,025	48,530	-	121,327
Obligations under capital lease- current	-	-	61,448	-	56,389	-	117,837
Accrued vacation and sick pay benefits	12,436	15,004	46,308	4,384	-	963	79,095
Advances from other funds	-	667,196	-	-	1,248,469	174,789	2,090,454
Deferred revenues	-	33,053	-	-	-	-	33,053
Total current liabilities	380,622	1,622,155	171,697	38,409	1,381,766	175,992	3,770,641
Current liabilities payable from restricted assets:							
Current portion of bonds payable	-	350,000	-	-	-	-	350,000
Other liabilities	-	-	-	-	4,685	-	4,685
Customer deposits	353,606	2,240	-	-	18,797	4,021	378,664
Total current liabilities payable from restricted assets:	353,606	352,240	-	-	23,482	4,021	733,349
Long-term liabilities:							
Obligations under capital lease	-	-	244,983	-	111,517	-	356,500
Revenue bonds payable	-	9,400,509	-	-	-	-	9,400,509
Accrued vacation and sick pay benefits	4,454	4,491	59,077	2,980	-	-	71,002
Total long-term liabilities	4,454	9,405,000	304,060	2,980	111,517	-	9,828,011
Total liabilities	738,682	11,379,395	475,757	41,389	1,516,765	180,013	14,332,001
Equity:							
Contributed capital	-	-	-	-	4,287,135	-	4,287,135
Retained earnings (deficit):	-	-	-	-	-	-	-
Unreserved (deficit)	(61,185)	(3,233,590)	14,433	1,324,071	(1,280,878)	3,234,319	(2,830)
Total retained earnings (deficit)	(61,185)	(3,233,590)	14,433	1,324,071	(1,280,878)	3,234,319	(2,830)
Total fund equity (deficiency)	(61,185)	(3,233,590)	14,433	1,324,071	3,006,257	3,234,319	4,284,305
Total liabilities and fund equity	\$ 677,497	\$ 8,145,805	\$ 490,190	\$ 1,365,460	\$ 4,523,022	\$ 3,414,332	\$ 18,616,306

CITY OF MIAMI SPRINGS, FLORIDA

ENTERPRISE FUNDS

COMBINING STATEMENT OF REVENUES AND EXPENSES AND CHANGES IN RETAINED EARNINGS (DEFICIT)

FISCAL YEAR ENDED SEPTEMBER 30, 2002

	Water	Sewer	Sanitation	Stormwater	Golf Course Operations	1998 Utility Refunding Bonds	Totals
Operating revenues:							
Charges for services	\$ 1,198,716	\$ 3,569,715	\$ 1,542,331	\$ 280,805	\$ 1,772,692	\$ -	\$ 8,364,259
Total operating revenues	<u>1,198,716</u>	<u>3,569,715</u>	<u>1,542,331</u>	<u>280,805</u>	<u>1,772,692</u>	<u>-</u>	<u>8,364,259</u>
Operating expenses:							
Personnel	287,104	257,236	592,002	67,915	1,030,453	-	2,234,710
Operating	250,784	404,582	245,834	89,894	1,086,368	9,430	2,086,892
Water and disposal costs	608,714	2,052,168	618,025	-	-	-	3,278,907
Depreciation and amortization	18,039	316,751	45,950	26,747	298,027	246,662	952,176
Total operating expenses	<u>1,164,641</u>	<u>3,030,737</u>	<u>1,501,811</u>	<u>184,556</u>	<u>2,414,848</u>	<u>256,092</u>	<u>8,552,685</u>
Operating income (loss)	<u>34,075</u>	<u>538,978</u>	<u>40,520</u>	<u>96,249</u>	<u>(642,156)</u>	<u>(256,092)</u>	<u>(188,426)</u>
Non-operating revenues (expenses):							
Grant revenue	-	-	-	375,000	-	-	375,000
Interest income	-	7,982	-	-	668	3,339	11,989
Interest expense	-	(485,997)	(6,186)	-	(8,270)	-	(500,453)
Total non-operating revenues (expenses)	<u>-</u>	<u>(478,015)</u>	<u>(6,186)</u>	<u>375,000</u>	<u>(7,602)</u>	<u>3,339</u>	<u>(113,464)</u>
Income (loss) before operating transfers	<u>34,075</u>	<u>60,963</u>	<u>34,334</u>	<u>471,249</u>	<u>(649,758)</u>	<u>(252,753)</u>	<u>(301,890)</u>
Transfers to other funds:							
Operating transfers in-charges against interfund liabilities	-	1,337,919	-	-	-	-	1,337,919
Operating transfers out-charges against interfund receivables	(66,655)	-	(61,179)	-	-	-	(127,834)
Operating transfers in	-	-	-	-	-	14,268	14,268
Operating transfers out	(199,995)	(164,268)	(75,000)	-	-	-	(439,263)
Operating transfers, net	<u>(266,650)</u>	<u>1,173,651</u>	<u>(136,179)</u>	<u>-</u>	<u>-</u>	<u>14,268</u>	<u>785,090</u>
Net income (loss)	<u>(232,575)</u>	<u>1,234,614</u>	<u>(101,845)</u>	<u>471,249</u>	<u>(649,758)</u>	<u>(238,485)</u>	<u>483,200</u>
Retained earnings (deficit), beginning	178,810	(4,461,098)	215,123	852,822	(639,730)	3,652,712	(201,361)
Prior period adjustments	(7,420)	(7,106)	(98,845)	-	8,610	(179,908)	(284,669)
Retained earnings (deficit), beginning as restated	<u>171,390</u>	<u>(4,468,204)</u>	<u>116,278</u>	<u>852,822</u>	<u>(631,120)</u>	<u>3,472,804</u>	<u>(486,030)</u>
Retained earnings (deficit), ending	<u>\$ (61,185)</u>	<u>\$ (3,233,590)</u>	<u>\$ 14,433</u>	<u>\$ 1,324,071</u>	<u>\$ (1,280,878)</u>	<u>\$ 3,234,319</u>	<u>\$ (2,830)</u>

CITY OF MIAMI SPRINGS, FLORIDA

COMBINING STATEMENT OF CASH FLOWS ALL PROPRIETARY FUND TYPES

FISCAL YEAR ENDED SEPTEMBER 30, 2002

	Water	Sewer	Sanitation	Stormwater	Golf Course Operations	1998 Utility Refunding Bonds	Totals
Cash flows from operating activities:							
Operating income (loss)	\$ 34,075	\$ 538,978	\$ 40,520	\$ 96,249	\$ (642,156)	\$ (256,092)	\$ (188,426)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:							
Depreciation and amortization	18,039	316,751	45,950	26,747	298,027	246,662	952,176
Changes in operating assets and liabilities:							
Increase (decrease) in:							
Accounts receivable	51,161	89,564	28,624	(321,241)	(12,904)	-	(164,796)
Deferred charges	-	58,653	-	-	-	-	58,653
Due from other funds	317,880	(39,283)	-	-	-	-	278,597
Inventories	68,235	23,247	3,072	2,306	(24,598)	-	72,262
Other	-	-	-	-	(1,500)	-	(1,500)
Increase (decrease) in:							
Accounts payable	170,753	42,027	(40,198)	(4,405)	(57,433)	(9,501)	101,243
Accrued liabilities	(2,442)	8,902	15,574	31,681	31,654	-	85,369
Due to other funds	(140,692)	103,585	20,853	(2,080)	535,671	174,789	692,126
Deferred revenues	-	33,053	-	-	-	-	33,053
Customer deposits	14,601	260	-	-	18,797	-	33,658
Other	-	-	-	-	(57,155)	-	(57,155)
Net cash provided by (used in) operating activities	531,610	1,175,737	114,395	(170,743)	88,403	155,858	1,895,260
Cash flows from non-capital financing activities:							
Operating transfers in	(199,995)	-	-	-	-	14,268	(185,727)
Operating transfers out	-	(164,270)	(75,000)	-	-	-	(239,270)
Grants received	-	-	-	375,000	-	-	375,000
Net cash provided by non-capital financing activities	(199,995)	(164,270)	(75,000)	375,000	-	14,268	(49,997)
Cash flows from capital and related financing activities:							
Capital expenditures	(21,313)	(404,382)	(24,782)	(379,991)	(87,825)	(38,956)	(957,249)
Principal payments on long-term debt	-	(335,000)	-	-	-	-	(335,000)
Interest paid	-	(485,997)	(6,185)	-	(7,596)	-	(499,778)
Net cash used in capital and related financing activities	(21,313)	(1,225,379)	(30,967)	(379,991)	(95,421)	(38,956)	(1,792,027)
Cash flows from investing activities:							
Interest received	-	7,982	-	-	-	3,339	11,321
Net cash provided by investing activities	-	7,982	-	-	-	3,339	11,321
Increase (decrease) in cash and cash equivalents	310,302	(205,930)	8,428	(175,734)	(7,018)	134,509	64,557
Cash and cash equivalents, beginning (including restricted cash and cash equivalents of \$824,536)	3,775	1,033,666	11,618	293,043	52,164	(134,509)	1,259,757
Cash and cash equivalents, ending (including investments of \$388,140)	\$ 314,077	\$ 827,736	\$ 20,046	\$ 117,309	\$ 45,146	\$ -	\$ 1,324,314
NONCASH NON-CAPITAL FINANCING ACTIVITIES							
Operating transfers in-charges against interfund liabilities	\$ -	\$ 1,361,149	\$ 288,632	\$ -	\$ -	\$ -	\$ 1,649,781
Operating transfers out-charges against interfund receivables	(66,655)	(23,230)	(349,811)	-	-	-	(439,696)
Proceeds from capital leases	-	-	306,432	4,384	167,906	-	478,722
Net noncash non-capital financing activities	\$ (66,655)	\$ 1,337,919	\$ 245,253	\$ 4,384	\$ 167,906	\$ -	\$ 1,688,807

INTERNAL SERVICE FUNDS

Internal Service Funds are used to account for the financing of goods or services provided by one department to other departments of the City, on a cost reimbursement basis.

Fleet Maintenance. This fund is used to account for the costs of repairs and maintenance of vehicles and heavy equipment for the various funds.

Group Health Insurance Fund. This fund is used to account for the collection of resources from City and employee health insurance contributions and the payment of insurance premiums (closed in fiscal 2000).

Computers and Telecommunications Fund. This fund is used to account for the collection of resources from City contributions and the payment of the acquisition and maintenance of the City's computer and telephone systems.

Liability Insurance Fund. This fund is used to account for the collection of resources from City contributions and the payment of administration, legal claims and insurance premiums.

CITY OF MIAMI SPRINGS, FLORIDA

COMBINING BALANCE SHEET INTERNAL SERVICE FUNDS

SEPTEMBER 30, 2002

<u>ASSETS</u>	<u>Fleet Maintenance</u>	<u>Computers and Telecom</u>	<u>ISF Insurance</u>	<u>Totals</u>
Current assets:				
Cash and cash equivalents	\$ 24,595	\$ -	\$ 19,962	\$ 44,557
Accounts receivable	919			919
Inventories	37,210	-	-	37,210
Deferred charges	-	-	61,670	61,670
Total current assets	62,724	-	81,632	144,356
Fixed assets, net	686,044	99,283	-	785,327
Total assets	<u>\$ 748,768</u>	<u>\$ 99,283</u>	<u>\$ 81,632</u>	<u>\$ 929,683</u>
 <u>LIABILITIES AND FUND EQUITY</u>				
Current liabilities:				
Accounts payable	\$ 10,464	\$ 4,395	\$ 406,956	\$ 421,815
Accrued Liabilities	12,995	-	86	13,081
Total liabilities	23,459	4,395	407,042	434,896
Equity:				
Retained earnings (deficit):	725,309	94,888	(325,410)	494,787
Total fund equity (deficiency)	725,309	94,888	(325,410)	494,787
Total liabilities and fund equity	<u>\$ 748,768</u>	<u>\$ 99,283</u>	<u>\$ 81,632</u>	<u>\$ 929,683</u>

CITY OF MIAMI SPRINGS, FLORIDA

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS (DEFICIT) INTERNAL SERVICE FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2002

	<u>Fleet Maintenance</u>	<u>Computers and Telecom</u>	<u>IFS Insurance</u>	<u>Totals</u>
Operating revenues:				
Charges for services	\$ 569,704	\$ 239,734	\$ 546,722	\$ 1,356,160
Miscellaneous	21,590	-	7,950	29,540
Total operating revenues	<u>591,294</u>	<u>239,734</u>	<u>554,672</u>	<u>1,385,700</u>
Operating expenses:				
Personnel	172,023	14,379	9,358	195,760
Operating	270,904	218,403	468,922	958,229
Depreciation and amortization	147,684	19,358	-	167,042
Total operating expenses	<u>590,611</u>	<u>252,140</u>	<u>478,280</u>	<u>1,321,031</u>
Operating income (loss)	<u>683</u>	<u>(12,406)</u>	<u>76,392</u>	<u>64,669</u>
Non-operating revenues (expenses):				
Operating transfers in-charges against interfund liabilities	322,438	111,092	-	433,530
Operating transfers out-charges against interfund receivables	-	-	(111,092)	(111,092)
Non-operating revenues (expenses)	<u>322,438</u>	<u>111,092</u>	<u>(111,092)</u>	<u>322,438</u>
Net Income (loss)	<u>323,121</u>	<u>98,686</u>	<u>(34,700)</u>	<u>387,107</u>
Retained earnings, beginning	410,131	-	92,576	502,707
Prior period adjustments	<u>(7,943)</u>	<u>(3,798)</u>	<u>(383,286)</u>	<u>(395,027)</u>
Retained earnings (deficit), beginning as restated	<u>402,188</u>	<u>(3,798)</u>	<u>(290,710)</u>	<u>107,680</u>
Retained earnings, ending	<u>\$ 725,309</u>	<u>\$ 94,888</u>	<u>\$ (325,410)</u>	<u>\$ 494,787</u>

CITY OF MIAMI SPRINGS, FLORIDA

INTERNAL SERVICE FUNDS COMBINING STATEMENT OF CASH FLOWS

FISCAL YEAR ENDED SEPTEMBER 30, 2002

	Fleet Maintenance	Computers and Telecom	ISF Insurance	Totals
Cash flows from operating activities:				
Operating income (loss)	\$ 683	\$ (12,406)	\$ 76,392	\$ 64,669
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	147,684	19,358	-	167,042
Changes in operating assets and liabilities:				
(Increase) decrease in:				
Accounts receivable	4,618	-	-	4,618
Deferred charges	-		2,383	2,383
Due from other funds	22,831	27,052	(59,783)	(9,900)
Inventories	25,778			25,778
Increase (decrease) in:				
Accounts payable	4,035	3,633	23,346	31,014
Accrued liabilities	(10,797)	-	-	(10,797)
Due to other funds	137,086	59,783	(22,376)	174,493
Net cash provided by (used in) operating activities	<u>331,918</u>	<u>97,420</u>	<u>19,962</u>	<u>449,300</u>
Cash flows from capital and related financing activities:				
Capital expenditures	(309,205)	(97,420)	-	(406,625)
Net cash provided by (used in) capital and related financing activities	<u>(309,205)</u>	<u>(97,420)</u>	<u>-</u>	<u>(406,625)</u>
Increase in cash and cash equivalents	<u>22,713</u>	<u>-</u>	<u>19,962</u>	<u>42,675</u>
Cash and cash equivalents, beginning	1,882	-	-	1,882
Cash and cash equivalents, ending	<u>\$ 24,595</u>	<u>\$ -</u>	<u>\$ 19,962</u>	<u>\$ 44,557</u>
NONCASH NON-CAPITAL FINANCING ACTIVITIES				
Operating transfers in-charges against interfund liabilities	\$ 357,715	\$ 111,092	\$ -	\$ 468,807
Operating transfers out-charges against interfund receivables	(35,277)	-	(111,092)	(146,369)
Net noncash non-capital financing activities	<u>\$ 322,438</u>	<u>\$ 111,092</u>	<u>\$ (111,092)</u>	<u>\$ 322,438</u>

TRUST AND AGENCY FUNDS

Trust funds are used to account for assets held by the City in a trustee capacity. Agency funds are used to account for assets held by the City as an agent for individuals, private organizations, other governments and other funds.

EXPENDABLE TRUST FUNDS

Criminal Justice Fund. This fund is used to account for funds to educate and train local police officers.

Law Enforcement Trust Fund. This fund is used to account for proceeds from the sale of forfeited property to be used for law enforcement purposes only.

Miami Springs Recreation Trust Fund. This fund is used to account for donations that are received for designated or undesignated recreation purposes.

Police Trust. This fund is used to account for donations that are received for Drug Abuse Resistance Education (DARE) programs.

PENSION TRUST FUNDS

General Employees and Police and Firefighters Retirement Funds. These funds are used to account for the accumulation of resources to be used for retirement benefits to eligible pensioners or their beneficiaries. Resources are contributed by employees based on a percentage of their compensation and by the City based on an annual actuarial valuation.

AGENCY FUND

General Agency Fund. This fund is used to account assets held by the City as an agent for individuals, private organizations and other governments.

CITY OF MIAMI SPRINGS, FLORIDA

COMBINING BALANCE SHEET TRUST AND AGENCY FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2002

ASSETS	Expendable Trust Funds				Pension Trust Funds		Totals
	Criminal Justice	Law Enforcement	Miami Springs Recreation	Police Trust	General Employees Retirement	Police and Firefighters Retirement	
Current assets:							
Cash and cash equivalents	\$ 18,792	\$ 104,860	\$ 33,175	\$ 92,783	\$ 305,155	\$ 571,578	\$ 1,126,343
Investments		1,541,612			10,815,862	15,697,771	28,055,245
Receivables:							
Accrued interest and dividends	-	-	-	-	97,162	143,702	240,864
Miscellaneous	-	1,407	-	-	-	-	1,407
Other assets	-	1,000	-	-	-	-	1,000
Total assets	<u>\$ 18,792</u>	<u>\$ 1,648,879</u>	<u>\$ 33,175</u>	<u>\$ 92,783</u>	<u>\$ 11,218,179</u>	<u>\$ 16,413,051</u>	<u>\$ 29,424,859</u>
 <u>LIABILITIES AND FUND BALANCE</u>							
Liabilities:							
Accounts payable and accrued liabilities	\$ -	\$ 11,631	\$ -	\$ -	\$ 6,142	\$ -	\$ 17,773
Due to other funds	-	-	-	-	-	2,599	2,599
Other liabilities	-	254	-	-	-	-	254
Total liabilities	<u>-</u>	<u>11,885</u>	<u>-</u>	<u>-</u>	<u>6,142</u>	<u>2,599</u>	<u>20,626</u>
Fund balances:							
Reserved for employees pension benefits	-	-	-	-	11,212,037	16,410,452	27,622,489
Reserved for encumbrances	-	29,606	-	-	-	-	29,606
Unreserved, undesignated	18,792	1,607,388	33,175	92,783	-	-	1,752,138
Total fund balances	<u>18,792</u>	<u>1,636,994</u>	<u>33,175</u>	<u>92,783</u>	<u>11,212,037</u>	<u>16,410,452</u>	<u>29,404,233</u>
Total liabilities and fund balances	<u>\$ 18,792</u>	<u>\$ 1,648,879</u>	<u>\$ 33,175</u>	<u>\$ 92,783</u>	<u>\$ 11,218,179</u>	<u>\$ 16,413,051</u>	<u>\$ 29,424,859</u>

CITY OF MIAMI SPRINGS, FLORIDA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES EXPENDABLE TRUST FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2002

	Criminal Justice	Law Enforcement	Miami Springs Recreation	Police Trust	Totals
Revenues:					
Fines and forfeitures	\$ 3,726	\$ 124,621	\$ 719	\$ 1,173	\$ 130,239
Expenditures:					
Education and training	-	127,579	-	-	127,579
Capital outlay	-	113,929	-	-	113,929
Total expenditures	-	241,508	-	-	241,508
Excess (deficiency) of revenues over expenditures	3,726	(116,887)	719	1,173	(111,269)
Fund balances, beginning	15,066	1,753,881	32,457	91,611	1,893,015
Fund balances, ending	\$ 18,792	\$ 1,636,994	\$ 33,176	\$ 92,784	\$ 1,781,746

CITY OF MIAMI SPRINGS, FLORIDA

COMBINING STATEMENT OF CHANGES IN PLAN NET ASSETS PENSION TRUST FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2002

	General Employees Retirement	Police and Firefighters Retirement	Totals
ADDITIONS			
Contributions:			
Employer	\$ -	\$ 1,872	\$ 1,872
Employee	152,423	32,663	185,086
State	-	53,499	53,499
Total contributions	<u>152,423</u>	<u>88,034</u>	<u>240,457</u>
Investment loss:			
Investment losses	(543,646)	(657,824)	(1,201,470)
Less investment expenses	<u>62,613</u>	<u>98,189</u>	<u>160,802</u>
Net investment loss	<u>(606,259)</u>	<u>(756,013)</u>	<u>(1,362,272)</u>
Total reductions	<u>(453,836)</u>	<u>(667,979)</u>	<u>(1,121,815)</u>
DEDUCTIONS			
Benefit payments	335,811	557,895	893,706
Refunds	61,844	881,874	943,718
Administrative expenses	<u>54,411</u>	<u>56,718</u>	<u>111,129</u>
Total deductions	<u>452,066</u>	<u>1,496,487</u>	<u>1,948,553</u>
Net decrease	(905,902)	(2,164,466)	(3,070,368)
Net assets held in trust for pension benefits:			
Beginning of year	<u>12,117,939</u>	<u>18,574,918</u>	<u>30,692,857</u>
End of year	<u>\$ 11,212,037</u>	<u>\$ 16,410,452</u>	<u>\$ 27,622,489</u>

CITY OF MIAMI SPRINGS, FLORIDA
STATEMENTS OF CHANGES IN ASSETS AND LIABILITIES
GENERAL AGENCY FUND
FISCAL YEAR ENDED SEPTEMBER 30, 2002

	Balance September 30, 2001	Additions	Deductions	Balance September 30, 2002
Assets:				
Cash	\$ 46,742	\$ -	\$ 46,742	\$ -
Total assets	<u>\$ 46,742</u>	<u>\$ -</u>	<u>\$ 46,742</u>	<u>\$ -</u>
Liabilities:				
Accounts payable	\$ 46,742	\$ -	\$ 46,742	\$ -
Total liabilities	<u>\$ 46,742</u>	<u>\$ -</u>	<u>\$ 46,742</u>	<u>\$ -</u>

GENERAL FIXED ASSETS ACCOUNT GROUP

The general fixed assets group reports those fixed assets used for general governmental purposes which include substantially all land, buildings and major equipment not accounted for in the proprietary funds.

CITY OF MIAMI SPRINGS, FLORIDA
SCHEDULE OF GENERAL FIXED ASSETS BY SOURCE
FISCAL YEAR ENDED SEPTEMBER 30, 2002

General fixed assets:	
Land	\$ 531,251
Building and building improvements	4,613,630
Furniture, fixtures, machinery and equipment	<u>1,953,593</u>
Total general fixed assets	<u>\$ 7,098,474</u>
Investments in general fixed assets:	
General fund	\$ 5,606,433
Grants	1,435,657
Donations	<u>56,384</u>
Total investment in general fixed assets	<u>\$ 7,098,474</u>

CITY OF MIAMI SPRINGS, FLORIDA

SCHEDULE OF GENERAL FIXED ASSETS BY FUNCTION AND ACTIVITY

FISCAL YEAR ENDED SEPTEMBER 30, 2002

Function and Activity	Land	Building and Building Improvements	Furniture, Fixtures, Machinery and Equipment	Total
General Government:				
Legislative	\$ -	\$ -	\$ 30,814	\$ 30,814
Executive	-	-	28,740	28,740
Administrative departments:				
Finance	-	2,453	208,238	210,691
Building zoning/code enforcement	-	1,963	66,844	68,807
Public works administration	-	962,996	135,649	1,098,645
General government	<u>367,514</u>	<u>2,161,472</u>	<u>301,021</u>	<u>2,830,007</u>
Total administrative departments	<u>367,514</u>	<u>3,128,884</u>	<u>711,752</u>	<u>4,208,150</u>
Total general government	<u>367,514</u>	<u>3,128,884</u>	<u>771,306</u>	<u>4,267,704</u>
Police protection	-	-	80,376	80,376
Streets	-	16,249	128,719	144,968
Parks	-	183,579	302,560	486,139
Senior citizens	-	114,380	86,722	201,102
Vehicle maintenance	16,067	-	-	16,067
Building maintenance	-	99,803	22,180	121,983
Recreation	27,225	755,105	202,360	984,690
Personnel	-	-	6,001	6,001
Planning	-	-	14,370	14,370
Community affairs	-	-	21,634	21,634
Law Enforcement Trust	<u>120,445</u>	<u>315,629</u>	<u>317,366</u>	<u>753,440</u>
Total general fixed assets	<u>\$ 531,251</u>	<u>\$ 4,613,629</u>	<u>\$ 1,953,594</u>	<u>\$ 7,098,474</u>

CITY OF MIAMI SPRINGS, FLORIDA

SCHEDULE OF CHANGES IN GENERAL FIXED ASSETS BY FUNCTION AND ACTIVITY

FISCAL YEAR ENDED SEPTEMBER 30, 2002

Function and Activity	Balance September 30, 2001	Additions	Adjustments and Deletions	Balance September 30, 2002
General Government:				
Legislative	\$ 30,814	\$ -	\$ -	\$ 30,814
Executive	25,272	3,468	-	28,740
Administrative departments:				
Finance	210,691	-	-	210,691
Building zoning/code enforcement	65,460	3,347	-	68,807
Public works administration	1,091,650	6,995	-	1,098,645
General government	<u>2,633,930</u>	<u>189,339</u>	<u>-</u>	<u>2,823,269</u>
Total administrative departments	<u>4,001,731</u>	<u>199,681</u>	<u>-</u>	<u>4,201,412</u>
Total general government	4,057,817	203,149	-	4,260,966
Police protection	692,468	-	605,354	87,114
Streets	120,549	24,419	-	144,968
Parks	480,889	5,250	-	486,139
Senior citizens	201,102	-	-	201,102
Vehicle maintenance	16,067	-	-	16,067
Building maintenance	60,600	61,383	-	121,983
Recreation	956,627	28,063	-	984,690
Personnel	6,001	-	-	6,001
Planning	14,370	-	-	14,370
Community affairs	15,752	5,882	-	21,634
Law Enforcement Trust	607,942	145,498	-	753,440
Total general fixed assets	<u>\$ 7,230,184</u>	<u>\$ 473,644</u>	<u>\$ 605,354</u>	<u>\$ 7,098,474</u>

GENERAL LONG-TERM DEBT ACCOUNT GROUP

To account for all long-term debt of the City other than debt recorded in Proprietary Funds.

CITY OF MIAMI SPRINGS, FLORIDA

SCHEDULE OF GENERAL LONG-TERM DEBT

SEPTEMBER 30, 2002

Amount available and to be provided for payment of General Long-Term Debt:

Amount available in Debt Service Fund	\$ 171,636
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Amount to be provided:

Accrued vacation and sick leave	366,630
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Bonds payable	<u>4,173,364</u>
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Total amounts to be provided	<u>4,539,994</u>
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Total amounts available and to be provided for the payment of general long-term debt	\$ <u>4,711,630</u>
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General Long-Term Debt Payable:

Accrued vacation and sick leave	\$ 366,630
---------------------------------	------------

Bonds payable	<u>4,345,000</u>
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Total general long-term debt payable	\$ <u>4,711,630</u>
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STATISTICAL SECTION

(Unaudited)

This statistical section is intended to provide the user with a more complete understanding of the City and its financial affairs. The statistical tables in this section provide accounting data, as well as non-accounting data, on social and economic characteristics usually covering more than one fiscal year.

CITY OF MIAMI SPRINGS, FLORIDA
GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>General Government</u>	<u>Public Safety</u>	<u>Public Works</u>	<u>Recreation and Culture</u>	<u>Non-Departmental and Capital Outlay</u>	<u>Total</u>
1993	\$ 1,077,921	\$ 3,280,462	\$ 1,414,467	\$ 780,272	\$ 48,471	\$ 6,601,593
1994	1,014,963	3,208,216	1,201,369	727,236	588,000	6,739,784
1995	1,165,266	3,281,455	1,162,778	933,690	252,685	6,795,874
1996	1,090,532	3,252,915	1,183,603	850,520	521,790	6,899,360
1997	1,218,916	3,507,996	1,142,522	796,484	234,581	6,900,499
1998	1,031,496	3,631,211	1,320,299	760,635	68,243	6,811,884
1999	1,170,764	3,686,148	1,400,152	810,038	230,570	7,297,672
2000	1,139,880	3,935,295	1,306,267	743,645	525,564	7,650,651
2001	1,200,515	4,052,125	1,413,852	866,281	436,777	7,969,550
2002	1,366,659	4,184,342	1,573,400	977,316	606,010	8,707,727

Note: General Fund Only

CITY OF MIAMI SPRINGS, FLORIDA
GENERAL GOVERNMENTAL REVENUES BY SOURCE
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Taxes</u>	<u>Licenses and Permits</u>	<u>Inter- Governmental</u>	<u>Charges for Services</u>	<u>Fines and Forfeitures</u>	<u>Interest</u>	<u>Miscellaneous</u>	<u>Total</u>
1993	\$ 2,714,416	\$ 245,774	\$ 1,190,177	\$ 531,739	\$ 161,167	\$ 28,729	\$ 20,189	\$ 4,892,191
1994	3,186,684	245,449	966,355	677,337	141,588	41,706	18,097	5,277,216
1995	3,201,718	231,713	986,645	261,763	158,306	100,197	115,358	5,055,700
1996	3,335,410	382,800	998,617	269,957	185,704	106,063	55,047	5,333,598
1997	3,428,889	442,316	994,908	230,906	190,325	141,286	111,001	5,539,631
1998	3,550,445	495,800	1,041,652	222,028	191,978	119,602	65,934	5,687,439
1999	3,593,494	372,971	1,044,169	222,127	236,447	99,994	98,811	5,668,013
2000	4,008,871	397,977	1,104,679	218,598	205,608	175,049	65,383	6,176,165
2001	4,252,226	329,869	1,110,573	249,045	228,281	147,642	207,149	6,524,785
2002	4,895,579	411,741	1,116,831	252,304	236,873	37,856	97,760	7,048,944

CITY OF MIAMI SPRINGS, FLORIDA

PROPERTY TAX LEVIES AND COLLECTION

LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Total Adjusted Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percent of Levy Collected</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>	<u>Percent of Total Tax Collections Tax Levy</u>
1993	2,789,960	2,674,444	95.9%	39,972	2,714,416	97.3%
1994	2,995,000	2,932,308	97.9%	254,377	3,186,685	106.4%
1995	3,206,060	3,182,814	99.3%	18,904	3,201,718	99.9%
1996	3,315,000	3,222,080	97.2%	113,330	3,335,410	100.6%
1997	3,412,532	3,293,225	96.5%	135,664	3,428,889	100.5%
1998	3,834,771	3,466,732	90.4%	93,712	3,560,444	92.8%
1999	3,685,761	3,524,806	95.6%	55,586	3,580,392	97.1%
2000	4,139,585	3,831,268	92.6%	177,603	4,008,871	96.8%
2001	4,339,783	4,186,507	96.5%	65,719	4,252,226	98.0%
2002	4,743,838	4,862,560	102.5%	33,019	4,885,579	103.0%

Note: Total Adjusted Tax Levy is based on final assessed property values by Miami-Dade County Department of Property Appraisal office after the Property Appraisal Adjustment Board has completed hearings on the tax roll; and before discounts.

Discounts Allowed:

November	4%
December	3%
January	2%
February	1%
April	Taxes delinquent

CITY OF MIAMI SPRINGS, FLORIDA

ASSESSED VALUE OF TAXABLE PROPERTY

LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Real Property Assessed Value</u>	<u>Personal Property Assessed Value</u>	<u>Centrally Assessed Property Value</u>	<u>Gross Assessed Property Value</u>
1993	\$ 414,608,365	\$ 55,069,981	\$ 14,000	\$ 469,692,346
1994	445,021,958	54,131,774	19,523	499,173,255
1995	463,339,132	52,738,435	19,308	516,096,875
1996	463,687,206	55,965,584	18,791	519,671,581
1997	479,115,252	56,835,834	19,039	535,970,125
1998	490,729,243	49,973,107	25,376	540,727,726
1999	506,468,957	56,524,713	25,054	563,018,724
2000	532,171,301	83,157,143	25,385	615,353,829
2001	570,033,667	74,263,104	27,632	644,324,403
2002	587,221,157	83,425,665	27,245	670,674,067

Note: (1) Real, Personal, and Central Business District Property is assessed be the Miami-Dade County Department of Property Appraisal as of January 1 each tax year and is used in the following fiscal year ending September 30.

(2) The basis of assessed values is approximately one hundred percent (100%) of actual Real, Personal and Central Business District Property values.

(3) Gross Assessed Property Value is equal to the sum of Real Property, Personal Property and Property Centrally Assessed for operating purposes less any exemptions.

Sources: Miami-Dade County
Department of Property Appraisal -DR-420

CITY OF MIAMI SPRINGS, FLORIDA

DIRECT AND OVERLAPPING DEBT

FISCAL YEAR ENDED SEPTEMBER 30, 2002

<u>Jurisdiction</u>	<u>Net Debt Outstanding</u>	<u>Percentage Applicable to Miami Springs</u>	<u>Amount Applicable to <u>Miami</u> Springs</u>
City of Miami Springs	14,695,000	100.0%	14,695,000
Miami-Dade County Schools (1)	1,087,450,000	0.7%	7,612,150
Miami-Dade County (2)	270,986,000	0.7%	1,896,902

Note: The "Net Debt Outstanding" for the Miami-Dade County School System for this report represents the total debt confirmed by the organization's comptroller.

Sources: (1) Miami-Dade County Schools, General Finance Department
(2) Miami-Dade County, Finance Department (includes General Obligation, Special Obligation Bonds)

CITY OF MIAMI SPRINGS, FLORIDA

REVENUE BOND COVERAGE

LAST TEN FISCAL YEARS

Fiscal Year	Gross Revenue	Direct Operating Expenses	Net Revenue Available for Debt Service	Principal	Debt Service Requirements		Coverage
					Interest	Total	
1993	\$ 1,816,891	\$ 1,059,810	\$ 757,081	\$ 355,000	\$ 491,345	\$ 846,345	89
1994	2,421,198	1,406,684	1,014,514	345,000	258,010	603,010	168
1995	3,713,147	3,713,147	-	480,000	381,703	861,703	-
1996	4,667,204	3,657,259	1,009,945	490,000	349,470	839,470	120
1997	4,955,872	3,825,070	1,130,802	505,000	332,320	837,320	135
1998	5,060,001	3,183,505	1,876,496	-	335,713	335,713	559
1999	3,641,641	2,292,819	1,348,822	295,000	536,000	831,000	162
2000	3,747,554	2,744,022	1,003,532	310,000	525,625	835,625	120
2001	3,514,412	2,774,223	740,189	320,000	513,229	833,229	89
2002	4,785,708	3,917,323	868,385	335,000	500,265	835,265	104

Note: Gross Revenue includes total operating revenues, interest income, miscellaneous revenue and operating transfers.

Direct Operating Expenses do not include depreciation.

CITY OF MIAMI SPRINGS, FLORIDA

PRINCIPAL TAXPAYERS

FISCAL YEAR ENDED SEPTEMBER 30, 2002

<u>Taxpayer</u>	<u>Type of Business</u>	<u>2002 Assessed Valuation</u>	<u>Percentage Total Assessed Valuation</u>
Felcor/ CSS Holdings L.P.	Hotel Facility	\$ 18,287,500	2.8%
AA Group, Ltd.	Auto Storage	8,850,127	1.4%
Biscayne Properties, Inc. TR & Fairways, Inc.	Hotel Facility	7,032,255	1.1%
Red Roof Inns	Hotel Facility	6,225,304	1.0%
Airport Financial Center, Inc.	Commercial	6,103,548	0.9%
Fairhaven Real Estate, LLC.	Nursing Home	5,679,232	0.9%
Dorian Van Beyer Callen & Charlotte Callen	Hotel Facility	5,250,000	0.8%
First Union National Bank	Bank-Financial	4,943,000	0.8%
First Choice Properties Corp.	Hotel Facility	4,785,825	0.7%
Beck-Marcus Assoc.-Miami Airport	Hotel Facility	4,513,472	0.7%
Southern Bell Tel. & Tel. Co.	Commercial	4,500,000	0.7%
Boulevard Motel Corp.	Hotel Facility	3,411,600	0.5%
Royal Palm Properties	Apartment Complex	2,980,000	0.5%
Miami Springs Villas	Apartment Complex	2,667,500	0.4%
Berthold & Marjorie B. Samertis	Apartment Complex	2,321,877	0.4%
Hideaway in the Grove. Ltd.	Apartment Complex	2,159,421	0.3%
	Totals	<u>\$ 89,710,661</u>	<u>13.9%</u>

Sources: Miami-Dade County Tax Assessors' Office
2002 Tax Roll
Real/personal property adjusted taxable value- \$644,324,403.

CITY OF MIAMI SPRINGS, FLORIDA

DEMOGRAPHIC STATISTICS

LAST TEN FISCAL YEARS

Fiscal Year	Population (1)	Per Capita Personal Income (2)			Unemployment Rate (3)			Enrollment Public Schools in Miami Springs
	Miami Springs	USA	Florida	Miami-Dade County	USA	Florida	Miami-Dade County	
1993	13,273	\$ 21,082	\$ 20,661	\$ 17,648	6.7	7.3	8.7	6,291
1994	13,276	21,718	21,652	20,287	7.3	6.8	8.6	6,239
1995	13,279	22,581	22,340	20,713	7.0	7.2	8.0	6,436
1996	13,281	23,562	25,512	21,565	6.8	6.9	7.9	6,745
1997	13,284	24,651	24,616	22,270	4.1	3.2	7.7	6,987
1998	13,287	25,924	25,645	22,833	4.9	4.8	7.1	6,885
1999	13,290	27,203	26,845	23,919	4.5	4.3	6.4	7,488
2000	13,295	28,546	27,781	24,733	4.2	3.9	5.8	7,922
2001	13,712	29,451	27,836	N/A	4.0	3.6	5.3	8,005
2002	13,901	30,477	28,947	N/A	4.7	7.2	7.4	7,123

Source: (1) City of Miami Springs and University of Florida

(2) University of Florida, Gainesville, Florida Bureau of Economic and Business Research
Florida Statistical Abstract 2000, Table 5-10, Page 166.

(3) State of Florida, Tallahassee, Florida Department of Labor and Employment Security,
as reported in Florida Statistical Abstract 2000, Table 6.11, Page 232.

(4) Miami-Dade County Public Schools Registrar's Office

** Per Capita Personal Income is not available for the City of Miami Springs

CITY OF MIAMI SPRINGS, FLORIDA

PROPERTY TAX RATES LAST TEN FISCAL YEARS

Fiscal Year	City		County			Special Districts				Total Property Tax Rate
	City Wide	Debt Service	County- Wide	Debt Service	Fire	MDCC	Library	School	State	
1993	6.709	0.000	7.305	0.830	2.344	0.750	0.351	9.923	0.597	28.809
1994	6.709	0.000	7.500	0.808	3.150	0.750	0.351	9.503	0.597	29.368
1995	6.700	0.000	6.828	0.789	2.558	0.030	0.329	10.389	0.687	28.310
1996	6.700	0.000	6.828	0.829	2.518	-	0.329	10.389	0.687	28.280
1997	6.700	0.000	6.469	0.774	2.745	-	0.339	10.366	0.710	28.103
1998	6.950	0.891	6.023	0.837	2.864	-	0.334	10.260	0.644	28.803
1999	7.450	0.848	5.809	0.816	2.752	-	0.321	9.744	0.641	28.381
2000	7.450	0.588	5.751	0.652	2.752	-	0.351	9.717	0.638	27.899
2001	7.450	0.662	5.713	0.552	2.683	-	0.451	9.445	0.736	28.192
2002	7.750	0.662	5.889	0.390	2.661	-	0.486	9.417	0.736	27.992

Additional information:

Property tax rates are assessed per \$1,000 of Taxable Assessed Valuation

Tax rate limits:

City	10.000 Mills
County	10.000 Mills
School	10.000 Mills
State	1.000 Mill

Source: Miami-Dade County
Department of Property Appraisal

CITY OF MIAMI SPRINGS, FLORIDA
PROPERTY VALUES, BUILDING CONSTRUCTION AND BANK DEPOSITS
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Property Value (1)</u>	<u>Residential</u>		<u>Commercial</u>		<u>Bank Deposits (2) for County</u>
		<u>Units</u>	<u>Value</u>	<u>Units</u>	<u>Value</u>	
1993	\$ 469,692,346	-	\$ -	3	\$ 498,900	\$ 23,334,147
1994	499,173,255	3	2,095,000	2	290,010	22,463,569
1995	516,096,875	94	876,005	17	681,900	24,824,611
1996	519,671,581	101	1,361,530	29	1,075,300	26,748,125
1997	535,970,125	81	1,818,546	29	7,686,656	28,302,263
1998	540,727,726	43	2,163,489	85	16,850,990	36,659,805
1999	540,727,726	-	-	3	13,848,000	37,537,626
2000	563,018,724	3	565,374	1	1,000,590	40,543,000
2001	615,353,829	8	2,325,119	2	1,450,000	45,063,851
2002	644,324,407	90	4,104,374	2	344,293	51,297,000

Note: Construction refers to new construction only, improvements are not to be included in these figures.

Sources: (1) Property values are estimated at one hundred percent (100%) of assessed Real, Personal and Central Business District Property values.

(2) State of Florida, Division of Banking as of June 30, of each respective year.

CITY OF MIAMI SPRINGS, FLORIDA

TEN LARGEST PUBLIC AND PRIVATE EMPLOYERS LOCATED IN MIAMI-DADE COUNTY, FLORIDA

FISCAL YEAR ENDED SEPTEMBER 30, 2002

TEN LARGEST PUBLIC EMPLOYERS		TEN LARGEST PRIVATE EMPLOYERS	
Miami-Dade County Public Schools	37,500	American Airlines	9,000
Miami-Dade County, Florida	30,000	University of Miami	8,000
Federal Government	18,276	Baptist Health Systems	7,500
Florida State Government	18,100	Precision Response Corp.	4,346
Jackson Memorial Hospital	10,000	Bellsouth	4,240
City of Miami	3,400	MasTEc	4,000
Florida International University	2,591	Royal Caribbean	4,000
Miami-Dade Community College	2,400	Publix Supermarkets	4,000
Veterans Administration Hospital	2,000	Florida Power & Light	3,823
City of Miami Beach	1,702	Mt. Sinai Medical Center	3,300
City of Hialeah	1,700	Winn-Dixie Stores, Inc.	2,672
U.S. Coast Guards	1,554	United Airlines	2,488
U.S. Southern Command	1,270	United Parcel Service	2,400
City of Coral Gables	800	Bank of America	2,300
City of North Miami Beach	600	Carnival Cruise Lines	2,000

Source: The Beacon Council

CITY OF MIAMI SPRINGS, FLORIDA
MISCELLANEOUS STATISTICS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2002

Date of Incorporation	August 23, 1926
Form of Government	Council/Manager
Area	2.8 square miles
Miles of Streets	55
Fire Protection:	
Number of Stations	1
Number of Firemen and Officers	21-24
Police Protection:	
Number of Stations	1
Number of Policemen and Officers	43
Education:	
Attendance Centers	2 Elem, 1 Middle, 1 Sr. High
Number of Teachers	Middle 100/MS Elem. 42/SPV.Elem 40/MS High 156
Number of Students	7364
Municipal Water Department:	
Number of Connections	4,245
Annual Consumption	847M-893M gallons
Miles of Water Mains	40 miles
Sewers:	
Number of Connections	4,311
Sanitary Sewers	57.25 miles
Storm Sewers	4.8 miles
Building Permits Issued	1,758
Recreation and Culture:	
Number of Parks	3
Number of Libraries	1
Number of Volumes	2,000 (approx.)
Number of Senior Centers	1
Number of Public Swimming Pools	1
Number of Golf Courses	1
Employees:	
Classified Service	85
Exempt	19

COMPLIANCE SECTION

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Honorable Mayor and Members of the City Council
City of Miami Springs, Florida

We have audited the general-purpose financial statements of the City of Miami Springs, Florida, as of and for the year ended September 30, 2002, and have issued our report thereon dated February 28, 2003. We did not audit the financial statements of the General Employees Retirement Trust Fund or the Police and Firefighters Retirement Trust Fund. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion on the general purpose financial statements, insofar as it relates to the amounts included for the General Employees Retirement Trust Fund and the Police and Firefighters Retirement Trust Fund, is based on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City of Miami Springs, Florida's general-purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items No.2002-9 and 2002-16.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Miami Springs, Florida's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general-purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City of Miami Springs, Florida's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items No. 2002-1, 2002-2, 2002-3, 2002-4, 2002-5, 2002-6, 2002-7, 2002-8, 2002-10 and 2002-15.

Honorable Mayor and Members of the City Council
City of Miami Springs, Florida

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider item No. 2002-1, 2002-2, 2002-3, 2002-4, 2002-5 and 2002-15 to be material weaknesses.

During our auditing procedures, there were matters coming to our attention that are not considered reportable conditions or material weaknesses but are of such importance that management should be aware of them so that appropriate action may be taken. These items are described in the accompanying schedule of findings and questioned costs as items No. 2002-11, 2002-12, 2002-13 and 2002-14.

This report is intended solely for the information and use of the council, management, and federal awarding agencies and pass-through entities, and the State of Florida Office of the Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

Grau & Company

February 28, 2003

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133**

Honorable Mayor and Members of the City Council
City of Miami Springs, Florida

Compliance

We have audited the compliance of the City of Miami Springs, Florida, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2002. The City of Miami Springs, Florida's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Miami Springs, Florida's management. Our responsibility is to express an opinion on the City of Miami Springs, Florida's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Miami Springs, Florida's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Miami Springs, Florida's compliance with those requirements.

As described in items 2002-15 and 2002-16 in the accompanying schedule of findings and questioned costs, the City of Miami Springs, Florida, did not comply with the requirements regarding allowable cost/cost principles, that are applicable to its FEMA disaster programs. Compliance with such requirements is necessary, in our opinion, for the City to comply with the requirements applicable to these programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2002.

Honorable Mayor and Members of the City Council
City of Miami Springs, Florida

Internal Control Over Compliance

The management of the City of Miami Springs, Florida is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operations of the internal control over compliance that, in our judgment, could adversely affect the City's ability to administer a major federal program in accordance with applicable laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 2002-15 and 2002-16.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that non-compliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in internal control that might be reportable conditions, and accordingly would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider item 2002-15 to be a material weakness.

This report is intended solely for the information and use of the council, management, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Grau & Company

February 28, 2003

**MANAGEMENT LETTER REQUIRED BY SECTION 10.554(g) OF THE RULES
OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA**

Honorable Mayor and Members of the City Council
City of Miami Springs, Florida

We have audited the general purpose financial statements of the City of Miami Springs, Florida (the "City"), as of and for the fiscal year ended September 30, 2002, and have issued our report thereon dated February 28, 2003. We did not audit the financial statements of the General Employees Retirement Trust Fund or the Police and Firefighters Retirement Trust Fund. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion on the general purpose financial statements, insofar as it relates to the amounts included for the General Employees Retirement Trust Fund and the Police and Firefighters Retirement Trust Fund, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable for financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*.

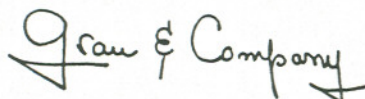
The purpose of this letter is to comment on those matters described in Rule 10.554(1)(g) required by the Rules of the Auditor General for the State of Florida. Accordingly, in connection with our audit of the general purpose financial statements of the City, as described in the first paragraph, we report on the following, which is included on pages 72 through 95.

- I. Summary of Auditors' Results**
- II. Financial Statement Findings**
- III. Federal Award Findings and Questioned Costs**
- IV. Compliance with the Provisions of the Auditor General of the State of Florida.**

We previously reported on the City's compliance and internal control over financial reporting and compliance and internal control over compliance applicable to each major federal program in our reports dated February 28, 2003 on pages 65 to 68.

This report is intended for the information of the Mayor, City Council, City Manager and management of the City of Miami Springs, Florida, and the Auditor General of the State of Florida and is not intended to be and should not be used by anyone other than these specified parties.

We wish to thank the City of Miami Springs, Florida, and the personnel associated with it, for the opportunity to be of service to them in this endeavor as well as future engagements and the courtesies extended to us.



February 28, 2003

CITY OF MIAMI SPRINGS, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED SEPTEMBER 30, 2002

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
<i>Federal Emergency Management Agency</i>		
Office of Community Development Public Assistance	83.544	\$ 243,243
<i>U.S. Department of Health and Human Services</i>		
Alliance for Aging, Inc.		
Title III, Part C Nutrition Services	93.045	82,870
Title III, Part B Grants for Supportive Services	93.044	6,797
Subtotal		<u>89,667</u>
<i>U.S. Department of Agriculture</i>		
Nutrition Program for the Elderly	10.570	<u>26,059</u>
<i>U.S. Department of Justice</i>		
Office of Community Policing Services		
COPS MORE	16.710	<u>23,296</u>
Federal Equitable Sharing	16.000	<u>9,574</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS		<u><u>\$ 391,839</u></u>

See accompanying notes to schedule of expenditures of federal awards.

**CITY OF MIAMI SPRINGS, FLORIDA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2002**

1. GENERAL

The Schedule of Expenditures of Federal Awards included herein represents all of the Federal grant awards of the City of Miami Springs, Florida (the "City") over which the City exercised direct operating control for the year ended September 30, 2002.

2. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of, the general-purpose financial statements.

3. SCOPE OF AUDIT PURSUANT TO OMB CIRCULAR A-133

All Federal grant operations of the City are included in the scope of the Office of Management and Budget (OMB) Circular A-133 audit (the "Single Audit"). The Single Audit was performed in accordance with the provisions of the OMB *Circular A-133 Compliance Supplement* (Revised March, 2002, the Compliance Supplement). Compliance testing of all requirements, as described in the Compliance Supplement, was performed for the grant programs noted below. Since the City qualifies as a low risk auditee for FY2001, Circular OMB A133 allows testing to be reduced to 25% of total federal expenditures. The program listed below represents all Federal award programs and other grants with fiscal 2002 cash and noncash expenditures sufficient to ensure coverage of at least 25% of federally granted funds. Actual coverage is approximately 62% of total cash and noncash Federal award program expenditures.

Major Federal Award Program Description	Fiscal 2002 Expenditures
Office of Community Development	\$243,243

4. FINDINGS OF NONCOMPLIANCE

See schedule of findings and questioned costs for findings of noncompliance identified in connection with the September 30, 2002 Single Audit.

5. AUDITS PERFORMED BY OTHER ORGANIZATIONS

During the year ended September 30, 2002 there were no audits of the City's Administration of Federal Financial Assistance Programs.

CITY OF MIAMI SPRINGS, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2002

SECTION I -SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	Yes
Reportable conditions identified that are not considered to be material weaknesses?	Yes
Noncompliance material to financial statements noted?	Yes

Federal Awards

Internal control over major programs:	
Material weaknesses identified?	Yes
Reportable conditions identified that are not considered to be material weaknesses?	Yes
Type of auditors' report issued on compliance for major programs:	Qualified
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	Yes

Identification of major program:

CFDA Number
83.544

Name of Federal Program
Office of Community Development Public Assistance

Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
Auditee qualifies as low risk auditee?	Yes

SECTION II - FINANCIAL STATEMENT FINDINGS

A. CURRENT YEAR FINANCIAL STATEMENT FINDINGS

Material Weaknesses

No. 2002-1 Unrecorded Liabilities

CONDITION

As a result of our tests performed over accounts payable and long term debt, we noted material transactions that were not accounted for during the prior and current fiscal periods. As a result, a liability for workers' compensation in the amount of approximately \$388,000 that belongs to the prior year, was recorded in the current fiscal period. In addition, during the current year adjustments were made to record a capital lease for approximately \$161,000 that was not recorded by the City in the prior year and a capital lease entered into by the City during the current year for approximately \$380,000.

EFFECT

By not accounting for all of its obligations, the City is not adequately monitoring its operations and assessing its true budgetary needs. In addition, this lack of internal control over the accounting for these transactions increases the risk of the City making improper and/or inaccurate payments to vendors.

RECOMMENDATION:

We recommend that the City develop written policies and procedures over the administration of invoices and contractual agreements in order to ensure that all obligations have been properly accounted for. Supervisory review would be essential in the monitoring of amounts posted to the general ledger and any associated payments made to vendors.

MANAGEMENT RESPONSE

The \$388,000 is worker compensation owed to Miami-Dade County that was unbilled in prior years. This was discovered when the City received an invoice for the total amount of prior year and current year charges. I negotiated with Miami-Dade Risk Management and they agreed to let the City pay the current charges and pay the prior year balance over time.

The \$161,000 and \$380,000 represent leases that the previous auditor treated as an operating lease and should have set up a capital lease. The liability is now on our general ledger and only the interest is charged to operating expenses.

SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

A. CURRENT YEAR FINANCIAL STATEMENT FINDINGS (Continued)

Material Weaknesses (continued)

No. 2002-2 Lack of controls over fixed assets

CONDITION

As a result of the performance of our tests over fixed assets, we noted a lack of internal controls over the City's Fixed Assets. Based on inquiries of City personnel, we noted that a physical count of fixed assets was not performed in fiscal years 2001 and 2000. During the fiscal year 2002 it appears that a physical count of fixed assets had been performed however, there is no documentary evidence of supervisory review of the physical counts performed. Also, there was no documentary evidence as to whether any of the department head ascertained that the physical count was in agreement with or reconciled with the departments records.

During our review of the data included in the City's fixed asset ledgers, we noted that fixed assets that had been sold as surplus property, disposed of or traded in for the acquisition of new capital assets had not been deleted from the ledger. In all cases where an asset was traded in, we noted that the value of the asset traded in, as well as the associated identification number was retained in the ledgers and an additional amount was added based on the difference between the old asset and the value of the newly acquired asset. The identification number for the newly acquired asset often was not recorded within the ledger.

We also noted that fixed assets that do not meet the City's capitalization threshold are not monitored or controlled by the City (i.e. printers, monitors, etc.,). In such cases, the City expenses the costs associated with the acquisition of those assets and does not continue to monitor or account for these assets.

EFFECT:

The lack of internal control over fixed assets resulted in adjustments for approximately \$600,000, \$580,000 and \$80,000 to the fixed assets recorded in the general fixed asset account group, enterprise funds, and the internal service funds, respectively.

By not maintaining internal controls over the management of the City's fixed assets, the City runs the risk of theft or loss of its fixed assets.

RECOMMENDATION:

Prudent business practices would dictate that controls over fixed assets be established in order to ensure the best use of the City's limited resources. Accordingly, we recommend that the City develop written policies and procedures that require the timely performance of annual physical counts of fixed assets. In all cases, someone independent of the purchasing function as well as the management of the associated fixed assets should perform the count. Upon completion of the physical count, the department head should review the results of the physical count and signify his/her approval. Once approved, the City's fixed asset ledgers should be reconciled, in a timely manner, with the results of the physical counts.

SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

A. CURRENT YEAR FINANCIAL STATEMENT FINDINGS (Continued)

Material Weaknesses (continued)

No. 2002-2 Lack of controls over fixed assets (continued)

We also recommend that the policies and procedures incorporate requirements that all fixed asset dispositions be properly written off the City's fixed asset ledgers. When a new fixed asset is acquired, the basis of that asset should be recorded along with identification numbers specific to each asset.

Finally, ledgers should be maintained for all assets that have a useful life greater than one year and a tangible value as determined by management that is up to the capitalization threshold of the City. These fixed assets should be catalogued and segregated from capital fixed assets recorded within the general ledger. This will assist the City in tracking and managing all of its fixed assets and costs associated with their acquisition.

MANAGEMENT RESPONSE

When the City employed me in October 1999, the Fixed Assets were not in the HTE computer system. They were maintained on an Excel spreadsheet, which was incorrect. This was unacceptable, so I instructed the Staff Accountant to input all fixed assets for each fund and Fixed Asset Group into the HTE Fixed Asset system. We physically counted the asset in several departments as we input the data. All assets were input by the next audit; however, all of the additions/deletions were not input in the system. The previous auditors made tests to determine that totals were correct and that no material differences occurred.

We continued to work on the data to ensure that all fixed assets were accounted for and that all assets were in the accounting system. We have not completed the process because we have not deleted all of the assets that were sold at auction. We have maintained lists of assets sold and salvaged. We are in the process of deleting the sold and/or salvaged assets. This process will be completed by April 30, 2003.

Our goal is to complete the asset program and take another physical inventory by May 31, 2003. The Fixed Asset program will be ready to be included in the new GASB 34 reporting format at the end of FY 2003.

We will perform another physical inventory of fixed assets on September 30, 2003 so that the Auditors can observe the counts.

Procedures will be written for the Finance Department employees pertaining to input and deletion, maintenance of the Fixed Asset System and observing physical counts in each department. Department Directors will have written procedures on the following:

1. Physical Inventory
2. Notification of salvaged assets and assets to be sold at auction.

SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

A. CURRENT YEAR FINANCIAL STATEMENT FINDINGS (Continued)

Material Weaknesses (continued)

No. 2002-3 Irreconcilable difference in cash

CONDITION:

As part of our tests over cash transactions, we reviewed the City's monthly bank reconciliations. As a result, we noted that due to errors in the City's accounting system, the City's bank reconciliations do not reconcile with the City's bank statements. In the current year, this resulted in a net irreconcilable difference of approximately \$148,000.

In addition, we noted that signed checks that had been voided had not been properly destroyed to prevent unauthorized use. In a number of cases, we noted that checks were retained by the City that had been signed with no payee or amount recorded on the face of the check.

EFFECT:

By not maintaining bank reconciliations that properly reconcile with the City's bank accounts, the City runs the risk that amounts may be processed and not properly accounted for in the general ledger. In addition, the apparent lack of controls over the processing of voided checks, in light of the issues identified herein, increases the City's risk of theft or loss.

RECOMMENDATION:

We recommend that the City develop written policies and procedures over the processing of voided checks and that steps be taken that ensure that blank checks are not signed without being properly secured and accounted for. In addition, steps should be taken to identify the reasons for the irreconcilable differences and corrective action taken as warranted. City policies should dictate that monthly bank reconciliations are completed on a timely basis and that amounts are properly reconciled with the associated bank statements.

MANAGEMENT RESPONSE

The accounting system has been reviewed and the errors have been corrected and there is no longer any reconciling items.

A procedure has been implemented requiring the Assistant Finance Director to record the first check number in a ledger with the date and initials before inputting the checks into the check-signing machine. When the checks are signed, the last check number will be recorded in the ledger. Any checks that are voided during this process will immediately be stamped "void" and recorded in the ledger.

SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

A. CURRENT YEAR FINANCIAL STATEMENT FINDINGS (Continued)

Material Weaknesses (continued)

No. 2002-4 Excessive use of manual journal entries

CONDITION:

As a result of our tests over transactions affecting the City's books and records, we noted that a significant number of manual journal entries had been recorded during fiscal year 2002. In a number of cases, the same individual that was responsible for the recording and or reconciliation of accounting transactions was recording manual journal entries. In addition, there did not appear to be any supervisory review of these entries nor was there any documentary evidence that approval had been attained prior to the posting of these entries. Finally, in a number of cases, entries were being made to correct prior manual entries that were not properly recorded in the general ledger.

EFFECT:

By processing an excessive number of manual journal entries, the City increases the risk that improper and/or inaccurate amounts could be recorded to its books and records and not be detected by management. In addition, such risk increases by allowing individuals with responsibilities that include the processing of accounting transactions to create and post manual journal entries with no supervisory review.

RECOMMENDATION:

We recommend that the City implement written policies and procedures that specify under what conditions manual journal entries can be processed and recorded. In addition, individuals responsible for the processing of accounting transactions should not have the capability to generate manual journal entries without management approval and subsequent review of the manual journal entry prior to posting.

MANAGEMENT RESPONSE:

The Finance Department prepares reoccurring journal entries, entries to reconcile pooled cash, entries for accounts receivable, accounts payable, and to correct miscoding. The number of entries may seem excessive to an auditor not familiar with our accounting system.

The Assistant Finance Director and the Staff Accountant make journal Entries. All journal entries will be review and approved by the Finance Director.

The Finance Department will document our procedure in writing and implement an approval policy.

SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

A. CURRENT YEAR FINANCIAL STATEMENT FINDINGS (Continued)

Material Weaknesses (continued)

No. 2002-5 Lack of segregation of duties in the cash cycle

CONDITION:

Based on our tests performed over cash, we noted an apparent lack of segregation of duties. It appears that the person in charge of performing the monthly bank reconciliations also performs cash receipts functions, at times processes accounts payable, manages fixed assets, and has the capability of posting manual entries to the general ledger. We also noted that incoming checks are not adequately monitored since these checks are forwarded to the cashiers for posting to the general ledger however, there is no documentary evidence of review and reconciliation of total cash received with amounts recorded within the general ledger.

We also noted that monthly bank reconciliations are not being prepared in a timely manner. In addition, when bank reconciliations are completed, there is no documentary evidence that they were reviewed by management.

EFFECT:

The apparent lack of segregation of duties in the cash processing cycle increases the City's risk that improper and/or inaccurate activity may occur and not be detected. In addition, by not completing timely bank reconciliations that have been subjected to review by management the City may not be able to adequately monitor its daily operations.

RECOMMENDATION:

We recommend that the City properly segregate cash receipts and processing functions. In cases where certain functions cannot be segregated, mitigating controls should be established in order to provide for the proper monitoring of these activities.

In addition, written policies and procedures should be established that require the timely completion and review of monthly bank reconciliations.

MANAGEMENT RESPONSE:

The Staff Accountant reconciles the bank statements and alternates with the Assistant Finance Director in reviewing the accounts payable (checks and Invoices).

The Assistant Finance Director, the Staff Accountant and the Purchasing Manager prepare the bank deposit every third week. The Finance Director changes the sequence periodically unannounced.

In a small office we do not have the manpower to fully separate all duties, the cost of more manpower to fully separate duties would outweigh the benefits; however, the Payroll Clerk has been trained to prepare the deposit, the Payroll Clerk and Purchasing Manager will share the duty of preparing the deposit, this eliminate the Staff Accountant, who reconciles the bank statements.

Bank Reconciliations are prepared in a timely manner. The bank statements are not received from the bank until the 10th of the following month, so the process of reconciling does not start until the middle of the month. There are times when the Staff Accountant must work on the Golf Course or other assignments, which have a high priority, during this time the bank reconciliations, may fall behind.

SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

A. CURRENT YEAR FINANCIAL STATEMENT FINDINGS (Continued)

Reportable Conditions

No. 2002-6 Monitoring of accounts receivables balances

CONDITION:

We noted that the City does not adequately monitor its account receivable balances in order to ascertain whether amounts are collectible. As a result of our tests over accounts receivable, we identified approximately \$280,000 in receivables that management concluded was uncollectible and wrote off during the current year. Some of the accounts receivable recorded on the City's general ledger have been outstanding for as long as 4 to 5 years with little or no account activity reflected.

EFFECT:

By not monitoring its accounts receivables, the City runs the risk of not collecting on monies due the City. In addition, amounts could be reflected within the general ledger that does not fairly state the financial position of the City.

RECOMMENDATION:

We recommend that the City monitor its receivable balances on a regular and ongoing basis and make adequate efforts to collect on the outstanding balances of its accounts receivable. In cases where amounts are deemed uncollectible, an allowance should be established upon such determination.

MANAGEMENT RESPONSE:

Management has an allowance for bad debts of \$170,948 in the Enterprise Funds, the current auditors want us to increase the allowance and I concur.

All of the accounts over sixty days have liens filed on the property. We did not write all accounts over sixty because we will collect when the property is sold or we forecast on the lien.

The City will still make collection efforts on all overdue accounts including the ones that have been written off.

SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

A. CURRENT YEAR FINANCIAL STATEMENT FINDINGS (Continued)

Reportable Conditions (continued)

No. 2002-7 Lack of controls over payroll

CONDITION:

As a result of the performance of our tests over payroll transactions, we noted that the same person that is responsible for the processing of payroll also inputs new City personnel into the system. In addition, we noted that payroll is input from time cards and time sheets, processed, and that upon completion payroll checks are run through a check signing machine. We did not note any documentary evidence that at any point throughout the processing of the payroll where the payroll registers had been subjected to review and approval for disbursement. In addition, we did not note documentary evidence that the payroll checks had been reconciled with the applicable payroll register prior to issuance.

EFFECT:

By not maintaining internal controls over the payroll processing function, the City runs the risk that improper and/or inaccurate payroll payments may be made without being detected.

RECOMMENDATION:

We recommend that written policies and procedures be established that segregate the processing of payroll from the input of newly hired City personnel. In addition, payroll registers and management prior to the disbursement of such amounts should review the associated payroll disbursements.

MANAGEMENT RESPONSE:

The Human Resource Department will input all new hires and forward the information to payroll.

The Department Directors review and approve the employee time cards and/or time sheets prior to sending them to the Finance Department.

The Finance Director reviews the payroll register on a periodic basis.

In the future the Finance Director or the Assistant Finance Director will review the payroll register and payroll checks each pay period.

SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

A. CURRENT YEAR FINANCIAL STATEMENT FINDINGS (Continued)

Reportable Conditions (continued)

No. 2002-8 Physical inventories

CONDITION:

As a result of our tests, we noted that a physical inventory was performed however, the City's books and records were not properly reconciled with the physical inventory. In addition, we noted that the same individuals responsible for the inventory count were also responsible for the day-to-day management of the inventory.

EFFECT:

By not having an independent review of the physical inventory, the risk of error increases, which could have been a contributing factor in the adjustment that had to be posted to correct the City's books and records.

RECOMMENDATION:

We recommend that the City continue the performance of its physical inventories however, the physical inventories should be supervised by someone independent of the department responsible for the management of the affected inventory. In addition, at all times, the City should reconcile its books and records with the results of the physical inventory and differences where applicable should be corrected.

MANAGEMENT RESPONSE:

The physical count of the Inventory in the Public Works is performed by Public Works personnel on an annual basis and is observed by our external auditors. The physical inventory for FY 2002 was taken on September 30, 2002 and observed by the external auditors; however, the inventory system was not properly closed and the physical counts had to be verified by other means.

When we moved all the inventories into one location in Public Works we did not close the accounts in the General Fund. The write off was to adjust the actual inventory to the General Ledger.

SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

A. CURRENT YEAR FINANCIAL STATEMENT FINDINGS (Continued)

Reportable Conditions (continued)

No. 2002-9 Compliance with Section 166.241 (3) of Florida Statutes

CONDITION:

The City is not in compliance with the following Florida statutes.

Compliance with Section 166.241 (3) of the Florida Statutes

Section 166.241 (3) of the Florida Statutes states that "The governing body of each municipality shall adopt a budget each fiscal year. The budget must be adopted by ordinance unless otherwise specified in the respective municipality's charter. The amount available from taxation and other sources, including amounts carried over from prior fiscal years, must equal the total appropriations for expenditures and reserves. The budget must regulate expenditures of the municipality, and it is unlawful for any officer of a municipal government to expend or contract for expenditures in any fiscal year except in pursuance of budgeted appropriations. In addition, the interfund liabilities forgiven and charged as interfund transfers resulted in additional amounts being charged against operations that were not budgeted for by the City.

CAUSE:

The City did not budget all its funds in FY2002.

EFFECT:

The City is not in compliance with the above-mentioned Florida Statute.

RECOMMENDATION:

We recommend that the City comply with Section 166.241 (3) of the Florida Statutes and budget all of its governmental and proprietary fund types.

MANAGEMENT RESPONSE:

The City will take the steps necessary to ensure that all activities are budgeted for and that when necessary supplemental appropriations be made to address unexpected events such as natural disasters.

SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

A. CURRENT YEAR FINANCIAL STATEMENT FINDINGS (Continued)

Reportable Conditions (continued)

No. 2002-10 Lack of controls over golf course operation

CONDITION:

As a result of the performance of certain procedures over the Golf Course and Country Club operations, we noted a lack of internal control over cash receipts, cash disbursements, payroll, and general operations.

The results of our tests over the Golf Course and Country Club operations were as follows:

- a) There were deficiencies in the amount of items and the pricing of the inventory merchandise held for sale at the golf pro shop.
- b) Driving range revenues are not properly reconciled with daily cash receipts.
- c) Management does not maintain complete personnel files on golf course personnel. In most cases, background checks and form required by federal employment guidelines could not be located. In addition, there is no reconciliation between payroll registers, time sheets, and payroll checks issued.
- d) City policies require that at the time a reservation is made for all banquets, a signed contract and a deposit must be obtained however, we noted in a number of cases where no signed contract was in the file. In one specific case, an individual that canceled a banquet was able to obtain a refund of his deposit because a signed contract had not been obtained.
- e) There is no system in place to account for and reconcile the number of gift certificates sold and rain checks issued by the Golf Course.
- f) There is no control over the free food and liquor coupons that are maintained in an unsecured box in the golf pro shop.
- g) Employee discounts provided on selected menu items cannot be reconciled with daily comp logs. Also, we noted that employee discounts were being provided to individuals that were not employees of the golf and country club.
- h) Employees other than management have the capability of voiding transactions and in a number of instances, we noted that the same employee that created the transaction voided his/her transaction.
- i) There is no system in place to monitor the service provided by the golf pros or any other service provided to the golfers.
- j) We could not find any documentary evidence in some of the employee files to support additional compensation paid to certain employees.

SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

A. CURRENT YEAR FINANCIAL STATEMENT FINDINGS (Continued)

Reportable Conditions (continued)

No. 2002-10 Lack of controls over golf course operation (continued)

EFFECT:

By not maintaining internal controls over the golf and country club operations, the City runs the risk that improper and/or inaccurate costs are being incurred and charged to operations. In addition, control weaknesses over revenue cycle makes it difficult to ascertain whether all revenues generated by golf course and country club operations are being recognized in the accounting system.

RECOMMENDATION:

We recommend that written policies and procedures be established over all areas of the golf course and country club operations. The City should take the steps necessary in order to ensure that expenses are being properly accounted for and approved prior to payment.

In addition, control procedures should be established over all revenue sources in order to facilitate the reconciliation, on a daily basis, of all revenues generated by the golf course and country operations.

SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

A. CURRENT YEAR FINANCIAL STATEMENT FINDINGS (Continued)

Reportable Conditions (continued)

No. 2002-10 Lack of controls over golf course operation (continued)

MANAGEMENT RESPONSE:

- a. We have been instructed by City Finance to not change prices in the inventory other than with their permission once a year. In addition, the cost of a given item of merchandise may vary significantly during the course of a year's purchasing cycle.
- b. I have no specific information as to what the auditors are referring in regards to this issue will be happy to implement any reasonable procedures to address what they define as deficient.
- c. We are in the process of updating and perfecting our personnel files. The payroll is verified and submitted to ADP for processing and checked before distribution.
- d. It is sometimes the case where we have made a business decision not to insist upon a deposit from certain parties. Contracts are signed when arrangements are finalized and are generally accompanied by a deposit at that time. I suggest you speak to the Food & Beverage Director about this issue going forward.
- e. Redeemed Gift Certificates and Rain Checks are attached to a register receipt and submitted with daily receipts. Though we have implemented a log to improve the process, I will be happy to implement any reasonable procedures to address this issue.
- f. Said coupons were used for only a short time and discarded. A log is in the City Manager's possession as to how many were distributed and to whom.
- g. I do not know what this means. As far as golf is concerned, we have maintained a Comp Log that is turned into the City every week. As far as the restaurant I concerned, I suggest you discuss the issue with the Food & Beverage Director.
- h. I do not believe that this is the case in the Pro Shop. I will be happy to implement any reasonable suggestions offered by the auditors.
- i. I assume this means the giving of lessons by golf professionals and offering club repair services. This is a common practice in the industry and a business decision made to accommodate our members and golf clientele.
- j. I will be happy to continue to update our personnel files to document any original and updated payroll basis.

SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

A. CURRENT YEAR FINANCIAL STATEMENT FINDINGS (Continued)

Other Matters

No. 2002-11 GASB 34

CONDITION

In June 1999, the Governmental Accounting Standards Board ("GASB") issued GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. This statement dramatically changes the presentation of government's external financial statements. In the GASB's view, the objective of the new reporting model is to enhance the clarity and usefulness of government financial statements to the citizenry, oversight bodies, investors and creditors. It will substantially affect the City's financial data accumulation and financial statement presentation processes. Some of the key aspects of the changes are as follows:

Management's Discussion and Analysis ("MD&A") - A comprehensive MD&A will now be included as required supplementary information. The MD&A will introduce the financial statements by representing an analysis of the government's financial performance for the year and its financial position at year-end. The MD&A will be in addition to the transmittal letter currently required for Government Finance Officers Association ("GFOA") award candidates, such as the City, but we expect that the GFOA will make changes in their requirements so as to avoid any duplication between the two documents.

Government-Wide Reporting - The City will be required to report financial operations and net assets, not only at the fund perspective for governmental activities, but will also have to prepare statements at the government-wide level. This level will distinguish between government and business type activities. All information at the government-wide level will be reported using the economic resources measurement focus and accrual basis of accounting, as enterprise funds do under the current model. Fiduciary activities will be excluded from the government-wide level of reporting. General government fixed assets, including infrastructure, and long-term liabilities of the government will be included on the assets and liabilities section of the government-wide level of reporting.

Statement of Activities - Governments will now be required to use a "net program cost" format for the government-wide statements instead of a traditional operating statement. This new format groups revenues and expenses by functional categories (such as public safety, public works, etc.). The purpose of the new statement is to inform readers about the cost of specific functions and the extent to which they are financed with program or general revenues of the government. Governments will have the option of reporting both direct and indirect program costs. Depreciation expenses will now generally be reflected as a cost in the statement of activities.

Infrastructure Reporting - historically, the City has not been required to record infrastructure assets in its financial statements. Under the new standard, the City must report major general infrastructure assets that were acquired in fiscal year ending after June 30, 1980 or that received major renovation, restorations, or improvements during the period. The standard provides several alternatives for determining historical cost of the infrastructure assets. Although the standard generally requires the depreciation of infrastructure assets, the City may not be required to depreciate these assets if it can demonstrate that it is preserving its infrastructure at approximately (or above) a disclosed condition level established by the City.

SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

A. CURRENT YEAR FINANCIAL STATEMENT FINDINGS (Continued)

Other Matters

No. 2002-11 GASB 34 (continued)

Fund Level Reporting - Fund level financial statements will still be required and will provide information about the City's fund types, including fiduciary funds and blended component units. General capital assets and general long-term liabilities will only be reported at the government-wide level. Fund level reporting will continue to focus on fiscal accountability and reflect the flows and balances of current financial resources. The modified accrual basis of accounting will continue to be used at the fund level, except for proprietary and fiduciary funds which would continue reporting based on economic resources and the accrual method of accounting. Reconciliation between the fund and the government-wide statements will be required on the face of the fund statements. Finally, proprietary fund cash flow statements must be presented using the direct method.

Presentation of Budgetary Information - The standard requires budgetary statements for the general fund and certain other governmental funds as required supplementary information. The original adopted budget of the city as well as the final revised budget must be presented. Actual results on a budgetary basis will need to be reconciled to the GAAP (generally accepted accounting principles) basis on the face of the statements.

RECOMMENDATION

The effective date of the new pronouncement will require implementation by the City for its year ending September 30, 2003. The magnitude of these changes and the time required to prepare for implementation should not be underestimated. We recommend that the City begin to look at its systems and processes to ensure that the required information will be available to ensure timely implementation. Further, we recommend that the City consider the cost of required changes to its systems and processes to ensure availability of necessary funds in its upcoming budget.

MANAGEMENT RESPONSE

The Finance Department is currently designing the new reports to be used in the new GASB 34 format. A detailed plan is being written that will list each step in the process with due dates.

SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

A. CURRENT YEAR FINANCIAL STATEMENT FINDINGS (Continued)

Other Matters (continued)

No. 2002-12 City's Information Technology System

CONDITION:

During the current fiscal period, we performed a comprehensive review of the City's Information System and the associated internal controls. As a result, we noted the following:

- a) The City does not have a written disaster recovery plan in place to address the data storage and processing needs of the City should the current facilities be unusable in the occurrence of a natural or other disaster.
- b) The City does not maintain policies and procedures over the setup and maintenance of employee workstations.
- c) All workstations have some form of anti virus protection however, only the computers that have access to the Internet have the capability to perform live updates of the virus protection software.
- d) The City does not maintain written policies and procedures over maintaining security over its systems. When the City no longer employs an employee, a system is not in place to ensure that all access by that employee is removed from the system and that the associated computer is scanned for necessary data.
- e) Control is not in place over access to the City's AS400 and network hardware. Any personnel with access to the finance department have the capability of accessing the AS400 and the City's network systems.
- f) Fire protection of the City's computers consists only of overhead sprinklers, which in many cases could cause more damage than a fire.

EFFECT

By not maintaining written policies and procedures over the administration of the City's Information Systems, the City is exposed to the risk of theft or loss of financial and non-financial data. In addition, should the City incur a natural or other disaster, the City could be unable to process data and in turn be prevented from managing its operations and performing basic services for its residents.

SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

A. CURRENT YEAR FINANCIAL STATEMENT FINDINGS (Continued)

Other Matters (continued)

No. 2002-12 City's Information Technology System (Continued)

RECOMMENDATION:

We recommend the City implement the following in order to mitigate the risk of theft or loss and business interruption:

- a) The City should develop a written disaster recovery plan and consider entering into a collaborative agreement for the providing of an offsite location for the processing of data in the occurrence of a disaster.
- b) Virus signature updates are critical, as such, the City should appoint a user with Internet access to download updates on a regular basis and ensure that such updates are made to the computers that do not have Internet access. For all other users with Internet access, updates should be made on a regular and ongoing basis.
- c) In order to ensure security on the network and data integrity, written policies and procedures should be developed that require the prompt notification of employees that are no longer employed by the City. Upon such notification, a person should be assigned to ensure that access to the system is removed for that individual.
- d) Access to the AS400 and network system should be limited through the form of some level of security that prevents access to these systems.
- e) Fire protection should encompass a system that will not damage computers while protecting them from fire. One such system generally applied is the use of Halon fire systems in specified areas.

MANAGEMENT RESPONSE:

When the new accounting system is fully implemented new procedures will be in place.

The Human Resources Department completes a Personnel Action Form when an employee is terminated and forwards the signed copy to the payroll section in the Finance Department. The Payroll Clerk will input the data that will classify the employee as inactive. The Payroll Clerk will notify the Assistant Finance Director who will review the procedure. We do not remove the terminated employee's name from the payroll system as the Auditor suggest because the employee must receive a W2 form at the end of the calendar year.

The AS400 is located in the office of the Assistant Finance Director in the Finance Office. The door to the Finance Department has a combination lock, admission is limited to Department Directors and to some employees located in the City Hall.

There is a metal door to the Assistant Finance Director's office that will remain closed in the future. This will limit access to the AS400 to employees in the Finance Department.

All exits to the City are clearly marked and the City is inspection by the Miami-Dade Fire Department and is in compliance with all required regulations. Our computer data is backed up daily and stored in a fireproof vault.

SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

A. CURRENT YEAR FINANCIAL STATEMENT FINDINGS (Continued)

Other Matters (continued)

No. 2002-13 Lack of written personnel policies

CONDITION:

As a result of our performance of tests over the payroll function, we noted that the City does not currently maintain a written employee personnel manual. Instead, personnel are provided information regarding certain City policies and procedures however, the information is not comprehensive in nature.

EFFECT:

By not maintaining a written personnel manual, that clearly defines an employees responsibilities and obligations as well as pertinent rules and regulations, the City runs the risk of employee related litigation and other associate costs. In addition, circumstances may exist where employee evaluations may be impacted because of a lack of clear definitions of expectations of the position they had been employed under.

RECOMMENDATION:

We recommend that a written employee manual be developed and upon completion be distributed to all existing City employees. In addition, policies and procedures should be established whereby all new employees are provided an employee manual and that such employees signify his/her understanding of the materials included within the manual.

MANAGEMENT RESPONSE:

The City is in the process of writing an employee handbook.

SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

A. CURRENT YEAR FINANCIAL STATEMENT FINDINGS (Continued)

Other Matters (continued)

2002-14 Financial Condition Assessment

CONDITION

In connection with our audit of the City, we applied financial condition assessment procedures pursuant to Section 10.556(8), Rules of the Auditor General, to determine if deteriorating financial conditions exist that may cause a financial emergency to occur if actions are not taken to address such conditions. The results of our assessment indicated that the Entity's overall financial condition is deteriorating.

The City total unreserved fund balance/retained earnings has been declining over the past few years due to recurring losses in its Sewer and Golf Course Operations Funds. Recurring losses indicate that revenues are not sufficient to cover expenditures or that expenditures are excessive.

EFFECT

By not taking the steps necessary to reverse these losses, the City will continue to deplete its unreserved fund balance/retained earnings until the point that it reaches a State of Financial Emergency.

RECOMMENDATION

We recommend that the City consider studying its current rate structure for the Sewer fund and continue measures to cut costs. The City should also continue to monitor its Golf Course and continue with its actions to reduce its costs. Additional consideration should be placed on other areas within the general fund that could result in additional cost savings to the City.

MANAGEMENT RESPONSE

Management has been aware of the financial condition of the City and has been in the process of developing a five-year plan to reverse the deteriorating financial condition that has developed over the past six years. Management's plan, when completed, will include but not be limited to:

1. The aggressive pursuit of annexation of commercial/industrial areas currently available to the City that could provide substantial increases in the City's tax base.
2. Continued efforts in the implementation of economic development and revitalization plans that will reinvigorate the City's business district.
3. Recent changes in Golf Course management and operating structure are expected to provide much improved fiscal accountability.
4. Through the budgeting process, continue to evaluate and implement cost containment measures affecting the General Fund.
5. Continue essential repairs on water and sewer utilities to reduce sewer treatment costs and water losses due to leakage.

SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

B. PRIOR YEAR FINANCIAL STATEMENT FINDINGS

No. 2001-01 Golf Course Fund

We noted that the City operates a Golf Course Fund, which is very costly to the City and has been operating under a deficit since its inception during fiscal year 1998. It may be more cost effective for the City to sell or discontinue operations of the Golf Course Fund.

Recommendation

We recommend that the City evaluate the cost effectiveness of providing and maintaining a golf course.

Current Year Status

The Golf Course Fund continues to operate at a deficit, and recorded negative operating results for FY2002. Comment will be repeated for FY2002.

No. 2001-02 Excessive Use of Due to/from Accounts

We noted that the City has increased the use of due to/from accounts for transactions between funds. The balance as of September 30, 2001 increased from approximately \$3.3 million in 2000 to \$3.7 million, an overall increase of 10%. Of this amount, 76% was due from funds incurring accumulated deficits in 2000 and 71% in 2001.

Recommendation

We recommend that the City reduce the use of due to/from accounts and evaluate the likelihood of collectibility and payment of outstanding balances.

Current Year Status

The City reduced the due to/due from accounts to approximately \$2.5 million as of September 30, 2002, a decrease of \$1.2 million from the prior year. In addition, approximately \$2,090,000 has been reclassified to advance from/to other funds and reserve has been established in the general fund.

No. 2001-03 Inventory

We noted that the City does not always conduct a physical count of inventory on hand. Periodic physical inventories provide a basis for updating inventory balances and aid in detecting significant inventory shortages.

Recommendation

We recommend that the City implement procedures to ensure that a physical count of inventory on hand is conducted periodically.

Current Year Status

The City has implemented periodic physical inventory counts during FY 2002. Comment will not be repeated.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)

No. 2002-16 Lack of controls over grant revenue and expenditure recordkeeping

Reportable Condition

CONDITION:

During the performance of our procedures over the City's grant agreements, we noted that the City does not maintain a system of internal control that provides for the timely accumulation of financial data associated with grants and intergovernmental agreements from which the City receives annual funding.

EFFECT:

By not maintaining a system in place to track all grants and intergovernmental agreements received and expended by the City on an annual basis, the City is at risk of not complying with provisions of its grants and/or agreements. By not complying with, such requirements, the City could lose existing and/or future funding under the affected program. In addition, this lack of control brings into question the accuracy of the schedule of expenditure of federal awards that must be prepared by the City as part of the reporting package submitted to the Office of Management and Budget Clearing House.

RECOMMENDATION:

We recommend that the City establish written policies and procedures that incorporate the management of all grant and intergovernmental agreements received by the City. All financial and non-financial data should be accumulated and centrally located and someone should be assigned to review such data in order to ensure compliance with all agreements.

MANAGEMENT RESPONSE:

The Finance Department does maintain an accurate record of the Federal and State revenue and expenditures. Federal and State grants are accounted for in the Grant Fund with each grant assigned a project number where all revenue and expenditures are recorded until the end of the project. The system also records the revenue and expenditures in the appropriate fund for the Fiscal Year.

Each grant is monitored by an employee in the appropriate department and is reviewed in the Finance Department.

Accounts Receivables were incorrectly accrued last year during the audit. The revenues received were correct, but in the wrong year.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No. 2002-15 Lack of Controls over Accounts Payable and Disbursements

Material Weakness

CONDITION:

As a result of our tests performed over cash disbursements, we noted an apparent lack of internal control over the processing of accounts payable. There appears to be no supervisory review over the input and recording of accounts payable transactions. In addition, cash disbursements processed for payment are not reviewed and reconciled with the accounts payable registers prior to issuance.

EFFECT:

By not performing a review of the processing of accounts payable transactions or the subsequent payment on these accounts, the City runs the risk of making improper and/or inaccurate payments to vendors. Also, instances may occur whereby duplicate payments could be made to vendors. This apparent lack of internal control could also result in inaccurate information being recorded within the City's general ledger.

In addition, as a result of a lack of supervisory review over the processing of these transactions, we noted that an entire check run in April of 2002 was mailed without authorized signatures.

RECOMMENDATION:

We recommend that the City establish written policies and procedures over the processing and review of accounts payable. In addition, management should routinely monitor these controls in order to ensure that they are being properly followed and adhered to.

MANAGEMENT RESPONSE:

The Finance Department has an established procedure, which has been in effect since FY 2001, for reviewing and approving the account payable. The Finance Director approves the expenditure approval list (list of invoices to be paid) before the checks are printed. When the checks are printed, Assistant Finance Director will or the Staff Accountant will review each invoice and check to ensure (1) that the vendor is correct; (2) the amount on the check matches the invoice; and (3) the check is issued from the proper fund and checking account. When the review process is completed, the checks are returned to the Account Payable coordinator and the checks are prepared for mailing. The invoices are stamped "paid" and filed.

Requiring the Assistant Finance Director to record the first check number in a ledger with the date and initials before inputting the checks into the check-signing machine has enhanced the procedure. When the checks are signed, the last check number will be recorded in the ledger. Any checks that are voided during this process will be stamped "void" and recorded in the ledger.

SECTION IV. COMPLIANCE WITH THE PROVISIONS OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA

1. No inaccuracies, shortages, defalcations, fraud and/or violations of laws, rules, regulations and contractual provisions were reported in the preceding annual financial audit.
2. Recommendations: except those addressed in the Schedule of Findings and Questioned Costs, made in the preceding annual financial report, have been addressed.
3. Recommendations to improve the City's present financial management, accounting procedures and internal controls are accompanying this report in the schedule of findings and questioned costs.
4. During the course of our audit, other than as disclosed in the schedule of findings and questioned costs, nothing came to our attention that caused us to believe that the City:
 - a. Was in violation of any laws, rules or regulations and contractual provisions.
 - b. Made any illegal or improper expenditures.
 - c. Had improper or inadequate accounting procedures.
 - d. Failed to record financial transactions.
 - e. Had other inaccuracies, shortages, defalcations and instances of fraud.
5. The City was incorporated by Chapter 5799, Laws of Florida, Acts of 1907. There are no component units related to the City.
6. The City was in compliance with Section 218.415, Florida Statutes, regarding the investment of public funds.
7. The City, during fiscal year 2002, was not in a state of financial emergency as defined by Florida Statute, Section 218.503 (1). However, the City reported in Note 2 of the general purpose financial statements the following funds with deficit balances for at least two consecutive years:
 - a) Sewer Enterprise Fund:
This deficit represents an accumulation from prior years. Ongoing improvements to the system assisted the City in achieving a significant reduction of the deficit during the current fiscal year.
 - b) Golf Course Fund:
The deficit in this fund has been a result of negative results during the first four years of operations. The City has been closely monitoring the performance, and has implemented management changes in order to improve the operating results. The City is of the opinion that the new management team put in place during February 2003, will improve profitability and allow the golf course to become a going concern.
8. The annual financial report (AFR) for the year ended September 30, 2002 has not been filed with the Department of Banking and Finance (the Department) pursuant to Section 218.32(1)(a), Florida Statutes. The City anticipates filing the AFR with the Department within the time frame allowed under Section 218.32(1)(a). At such time we will review the AFR and report to the State as to whether it is in agreement with the audited financial statements for the year ended September 30, 2002.
9. During the course of our audit, as more fully disclosed in Note 17 of the general purpose financial statements, we applied financial condition assessment procedures pursuant to Rule 10.566(8). It is management's responsibility to monitor the City's financial condition, and our financial condition assessment, which was performed as of the City's fiscal year end, was based on representations made by management and the review of financial information provided by the City. The accompanying schedule of findings and questioned costs presents the current year's reporting of deteriorating financial condition.